





## NEWS: EUROPE

# Tougher EC line urged on steel aid

By Ariane Genillard in Bonn

THE German steel industry said yesterday that action being considered by the European Commission to enforce cuts in subsidies for state-owned steelmakers in Europe was not tough enough.

It said negotiations on a rescue package for the European steel industry would fail if the Commission backed proposals from public producers in Spain and Italy which did not lead to real cuts in chronic overcapacity.

"There are signs that the Commission is compromising too much and departing from its earlier principles to impose strict discipline over subsidies," Mr Ruprecht Vondran, president of the German steel federation, said yesterday.

He said he would ask the German government to oppose any agreement on subsidies if it amounted to "window-dressing".

Mr Vondran's warning followed the Commission's proposal, outlined on Tuesday, for the restructuring of the Spanish steel industry which EC industry ministers will be asked to approve on Monday.

Under the plan, Spanish authorities will be asked to find a private investor to keep open a mini-mill in Sestao, in the Basque country. The plan also foresees the closure of another Basque plant, at

Anzio, by mid-1995, 18 months ahead of schedule.

But German private steel producers say such an agreement does not go far enough in curbing subsidies for state-owned producers and in forcing cuts in product categories suffering from overcapacity.

"Private investors cannot be used as scapegoats to rescue ailing state-owned steel plants," Mr Vondran said.

He also warned against steelmakers inflating production levels before offering capacity cuts and excluding social rehabilitation payments to scale down subsidies which they are asked to reduce.

German private steelmakers want Spain and Italy to undertake half the closures needed to meet the restructuring targets set by the Commission and which aims to cut 30m tonnes of crude steel-making capacity.

They are offering to cut 5m tonnes of crude steel capacity this year but are refusing to offer larger reductions unless a clear agreement on state subsidies for state-owned producers is reached.

The EC timetable for such an agreement has been delayed several times this year after fruitless negotiations with state producers in Europe, particularly in Italy. An overall decision on subsidies, intended for September, has now been postponed to November.

# Call for lower EC social costs

By Andrew Baxter in Hanover

EUROPEAN machine tool manufacturers yesterday called for a European Commission to deal with the industry's deep-seated structural problems.

They unveiled a five-point plan aimed at correcting "flagrant imbalances" between Europe, Japan and the US, according to Mr Yves de Boisleury, president of Cecimo, the umbrella body for Europe's machine tool organisations.

It was launched on the second day of EMO, the world's largest machine tool fair, in Hanover. Production of machine tools in the 12 Cecimo countries, which include Sweden and Switzerland, has fallen from a peak of \$F27.2bn (£12.5bn) in 1990 to \$F23.6bn last year. Employment in the industry has fallen by 32,000 to about 167,000 over the past two years.

The plea for help is part of a wider initiative which could lead to the EC's first formal industrial policy for the mechanical engineering sector.

The Cecimo document says competitiveness is mainly influenced by the social costs that industry must pay. It says a comparison of hourly costs in Germany, Japan and the US shows a disparity of 27 per cent in favour of Japan and 37 per cent in favour of the US.

Cecimo says this position is untenable in the short and medium term and asks the Commission to ensure that "within the framework of the social chapter in the treaty of Maastricht, the level of social costs in Europe comes into line with that of the Asian and North American countries".

It also says methods should be devised to enable industrialists to keep under contract the maximum number of personnel during a period of recession so that the industry is fully equipped for recovery. Its three other recommendations are:

● An EC study that should produce concrete proposals for stimulating specialised training for technicians;

● The urgent establishment of a specific research and development programme in European manufacturing, adapted to the needs and means of small to medium-sized companies;

● A strong trade policy to maintain the European machine tool industry's competitiveness. This means "a positive and rapid conclusion of the Gatt negotiations and a co-ordinated policy to promote exports".

Cecimo's initiative is designed to avoid asking for protectionist measures.

# Georgian president returns

A CONFIDENT Eduard Shevardnadze reclaimed his job as Georgian president and threatened a new crackdown on rebel fighters yesterday after forcing parliament to grant him emergency powers, AP reports from Tbilisi.

Mr Shevardnadze had submitted his resignation in a manoeuvre to force parliament to approve a state of emergency, then suspend its session.

Capitalising on the disarray, rebels assassinated the Georgian president, is the knowledge that the UN mandate for the peace-keeping forces in Croatia is due to expire at the end of the month. Since the January 1992 ceasefire, the disputed areas in Croatia have been monitored by 15,000 peacekeeping troops in UN zones known as Sectors North,

# D-Mark and Ecu may become platform for move towards monetary union

## Plan to create 'dual anchor' for ERM

By David Gardner in Strasbourg

MR Philippe Maystadt, finance minister of Belgium which presides over the EC, yesterday hinted at a plan to create a "dual anchor" for the ERM, with the D-Mark locked to a new form of "hard" Ecu, or European currency unit.

The plan is due to be unveiled next month by the European Parliament's monetary affairs committee.

Its essence is that the European Monetary Institute (EMI), due to be set up by January in ERM's second stage, should assume more quickly the functions of the eventual European central bank it is meant to prefigure, by issuing and managing

BELGIUM'S central bank again cut two of its key interest rates yesterday in the wake of the easing in German monetary policy at the end of last week, writes James Blitz. However, unlike the rate cuts of the past few days, the move was followed by a depreciation in the value of the Belgian franc against the D-Mark.

The Belgian authorities cut their central rate from 10.25 per cent to 10 per cent. They also cut their end-of-day rate from 12 to 11.75 per cent.

The Belgian currency ended the day weaker against the D-Mark, closing at BF21.41 against

a previous BF21.47. The currency may have fallen amid the buying of D-Marks against the dollar, sterling and most European currencies.

But there were new signs yesterday that dealers are not interpreting the recent easing in European monetary policy as a sign of more cuts to come. Belgian interest rate futures, which are among the best guides to the market's expectation of future rate moves, fell to rally yesterday. French interest rate futures were also weaker, despite the easing in France's 5-10 day lending rate last week.

ing the Ecu as a joint anchor to the system alongside the D-Mark.

The Ecu would be fixed against the D-Mark, with other EC currencies having their weighting in the Ecu "basket" adjusted according to whether they appreciated or devalued,

but within much tighter monetary co-ordination, and enhanced joint intervention capability.

Mr Joao Cravinho, the Portuguese socialist and economist who has devised the plan, has already discussed it with Mr Jacques Delors, the Commis-

wreckage, both the ERM project and the single market will come apart.

The plan will include proposals that:

■ Member states turn over 20 per cent of their gold and foreign exchange reserves to the EMI to manage;

■ The member states issue all new debt in Ecu;

■ The EMI and Bundesbank assume joint responsibility for holding the Ecu-D-Mark parity;

■ The Twelve set a joint "interest rate indicator";

■ The Twelve evolve a joint incomes policy linking wage rises to productivity.

"If you're going to keep ERM on track the problem of the anchor (to the ERM) has to be tackled," Mr Cravinho said.

## NEWS IN BRIEF

# Italy and Norway in oil deals inquiry

By Robert Graham in Rome

ITALIAN and Norwegian judicial authorities are investigating a series of deals involving the North Sea oil business, including those of Eni, the state oil concern, and Statoil, its Norwegian counterpart.

This was disclosed yesterday in a brief statement from the Italian financial police, the Guardia di Finanza, after a visit to Milan by a team of Norwegian investigators.

Eni has been at the centre of Milan magistrates' corruption investigations for more than nine months and previously suspect commissions and payments have been identified in contracts with developing countries or the former Soviet Union. But this is the first publicised instance of an investigation of alleged corrupt deals in a European country.

# Germans argue social case

THE German government submission to the European Commission's review of jobs and competitiveness argues in support of a strong social dimension, welcoming a greater role for the social partners - unions and employers - written into the Maastricht Treaty, writes David Goodhart.

In addition to existing directives it suggests seven general rights which workers throughout the EC should enjoy: equal treatment for people in part-time employment; ban on discrimination against workers who exercise their legal rights; the right of the worker to be heard in internal company matters; protection of privacy; entitlement to four weeks leave; adequate protection against dismissal and ban on sex discrimination.

# IMF may relieve Russia

A senior G7 official said yesterday that Russia could still receive financial assistance for macroeconomic reforms from the International Monetary Fund this year if it took "appropriate actions" to put its reforms back on track, writes Leyla Boulton in Moscow. The US official said after talks with Russian ministers he believed that reforms were at a "crucial juncture" and that he was encouraged by the buoyant mood of reformers. He said actions over the next few weeks on the budget deficit and inflation would determine whether progress so far "would be maintained or there would be a slip backwards".

# Bonn seeks new Nazi ban

Chancellor Helmut Kohl's cabinet yesterday decided to ask Germany's constitutional court to ban the Free German Workers' Party (FAP), one of the country's leading neo-Nazi groups, Reuters reports from Bonn.

The interior minister, Mr Manfred Kanther, said the decision showed the government was determined to fight far-right extremists who threatened democracy and disturbed the peace for both Germans and foreign residents.

# Verdict on Airbus crash

Aerospace industry officials and analysts said yesterday they did not believe the crash of an Airbus Industrie A330 in Poland, the fourth since it went into service, was linked to its controversial fly-by-wire controls, Reuters reports from Paris. The Luftansa jet carrying 70 people from Frankfurt crashed on landing at Warsaw airport on Tuesday, killing two people and injuring up to 55. The aircraft, which landed in a rain storm, slid off the runway, hit an earth barrier and burst into flames.

# Balladur's 'socialist' victory

Mr Edouard Balladur, the French prime minister yesterday appeared to win his party's support for his plan to integrate a once-derided "socialist" levy fully into the French tax system, as part of the 1994 budget which he will unveil next week, writes David Buchanan in Paris.

Mr Balladur angered many in his own party in May when he announced an increase to 2.4 per cent in the CSG tax, a flat-rate levy taken directly from the pay packets of all earners which was introduced by the Socialists three years ago against conservative opposition. A sweeter he offered critics has been withdrawn.



Balladur: won party tax battle

# IMF seals pact with Hungary

By Nicholas Denton in Budapest

THE board of the International Monetary Fund yesterday approved a new agreement with Hungary providing a \$200m (\$220m) standby loan facility and giving the go-ahead to further funding from international institutions.

The IMF and Hungary suspended their previous agreement in the first half of last year when the budget deficit ran over target. The new accord restores Hungary's financial respectability.

It triggers the release of a \$100m (£85m) credit tranche from the World Bank and Japan's Eximbank, and a further \$100m World Bank loan in support of Hungary's privatisation programme.

Renewed borrowing from international institutions will enable Hungary to reduce slightly its reliance on international capital markets and manage more cheaply its gross foreign debt of \$32bn, the highest per capita in eastern

Europe. Yesterday's decision also clears the way for the World Bank delegation, at present in Budapest, to recommend backing for Hungary's efforts to recapitalise the largest state-owned banks after heavy loan losses.

Under discussion in Budapest, and contingent on IMF approval of Hungary's macro-economic policy, is a World Bank credit of about \$200m for restructuring of the banks and a second programme to restructure large corporate debtors.

Hungarian officials describe World Bank support as crucial in bringing the capital adequacy of the fragile banking sector up to 4 per cent of assets before the end of the year and closer to the Bank for International Settlements' recommendation of 8 per cent.

The IMF credit agreement has its price for Budapest.

It ties the conservative government to a programme of deficit reduction even as elections scheduled for next spring approach.

# Krajina clash raises fear of new Serb-Croat war

By Laura Silber and Gillian Tett

CROATIA said yesterday it would withdraw from three villages wrested last week from Serb control in Krajina, the self-styled Serb state in Croatia, and place them under United Nations supervision.

But with the Serb forces threatening to retake the villages, the fighting in the last five days has rekindled fears of a wider war in the enclave.

Although the battles in central Bosnia have overshadowed the rumbling conflict in Krajina in recent months, it is the broader struggle between Croatia and Serbia that seems set to shape the future of any peace or further fighting - in the former Yugoslavia.

The Croat offensive against the Serb-held villages last week was not, it seems, a serious attempt to recapture territory lost to the Serbs after the bitter six-month war in 1991. Instead it appears to have been a limited attempt to flex Croatia's military muscles in the face of pressures from both the Serbs and the international community.

One of the pressures facing Mr Franjo Tudjman, the Croatian president, is the knowledge that the UN mandate for the peace-keeping forces in Croatia is due to expire at the end of the month. Since the January 1992 ceasefire, the disputed areas in Croatia have been monitored by 15,000 peacekeeping troops in UN zones known as Sectors North,



South, East and West.

Although UN officials generally expect that the mandate will be renewed, the uncertainty about the UN's role, and the future of the enclaves, has renewed Croatian fears that the proposed partition of Bosnia in the latest peace plan could lead to a division of Croatia as well.

With a third of Croatia under Serb control, Mr Tudjman is now at pains to deflect domestic attention from Zagreb's apparent weakness.

He is also under pressure to dampen domestic suspicions that Croatia has struck too close a deal with Serbia. Even if the Serb leadership is eventually willing to hand over

parts of their self-styled state, Belgrade will be loath to cede the disputed Sector East, with the fertile areas of Baranja and Eastern Slavonia on the borders of Serbia, without an all-out war.

Since Croatia would be hard pressed to fight on two fronts, the conflict with the Serbs has apparently prompted Mr Tudjman to try for a reconciliation with Mr Alija Izetbegovic, the Bosnian president.

Mr Tudjman's sudden request for a meeting with Mr Izetbegovic this week fuelled suspicions in Belgrade of a revived Croat-Moslem alliance which could destroy any Serb-Croat plans for a two-way partition of Bosnia.

# Italy losing resolve on plant closures

By Robert Graham in Rome

THE FATE of 333 surplus workers at an ageing state-owned phosphorous plant in southern Italy has become a test case of the government's resolve to rationalise loss-making industries at a time of rising unemployment.

The workers' plight at Crotone on the Ionian coast of Calabria has also become a symbol of southern Italy's desperation with unemployment rates of 23 per cent. From President Oscar Luigi Scalfaro downwards, everyone in authority has sympathised with the workers and the government has followed the line of least resistance.

As a result, the compromise solution now being hammered out looks set to disregard the government's brave talk of allowing state industries to be run as commercial operations. It also encourages the numerous other worker protests in progress, which have yet to receive full publicity, to take the law

into their own hands. The 70-year-old phosphorous plant is part of a petrochemical complex owned by Enichem, the chemicals arm of Eni, the state oil concern. On September 7 the plant was occupied and vandalised in protest over plans to lay-off 333 of the 600 workers.

Throughout this period the Crotone railway station has been blocked to all traffic by protesters sitting on the tracks, while drums of chemicals have obstructed the main coastal road. The authorities have made no efforts to unblock these essential communications for fear of provoking further violence involving toxic chemicals.

Behind the protest lies a sorry history of disinvestment in Crotone - the oldest industrial zone in Calabria - coupled with the politically motivated planning of petrochemical ventures in southern Italy and the change in management at Eni following its transformation in August 1992 into a joint stock company. Eni inherited the plant from Montedi-

son through their ill-fated chemicals venture, Enimont. Although it is the sole phosphorous producer in Italy, losses have been accumulating. Last November, after 12-month losses of £24bn (£10m), it was shut down and 333 workers were left idle on full pay. Of these, more than 100 had been rehired under a court order following the failure of an Enichem project to produce tennis rackets on the site.

The trigger for the protest was Enichem invoking the mechanism to lay them off - a process whereby they lose approximately 20 per cent of their pay. The workers feared this was the first step towards ultimate unemployment, and were determined to force Eni and the government to come up with alternative plans to create long-term jobs.

After tortuous negotiations Eni has agreed temporarily to maintain full pay, but has tried to make the point that, as a public company, its loss-making operations have to be rationalised. No

longer can it fulfil a role in the south of providing padded state employment.

After three days of talks in the prime minister's office, the compromise centres on the government declaring Crotone a zone of economic emergency. This enables special state funds to be made available from the budget as well as funds from the EC. These monies will aid an as yet undefined industrial project involving the Eni group and regional financial institutions. In return Eni will take back only a small number of the 333 workers due to be laid off.

This solution suggests Enichem will be subject to similar pressures when it seeks to cut some 800 of its 2,900 workers in economically depressed Sicily. Finally the Crotone affair has played into the hands of the populist Lombard League. Mr Umberto Bossi, the League leader, claimed this week the south was being protected at the expense of the north where the recession is keenly felt but without such protests.

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# 'Feel bad' factor threatens Poland's reformers

Despite economic success, free-market parties are trailing in the polls, writes Anthony Robinson



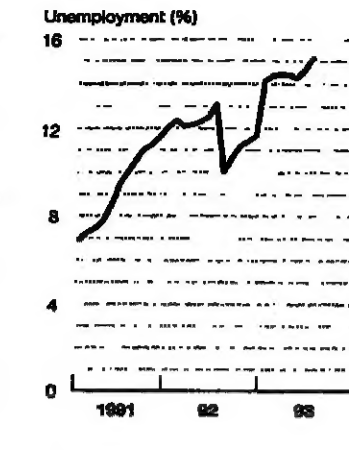
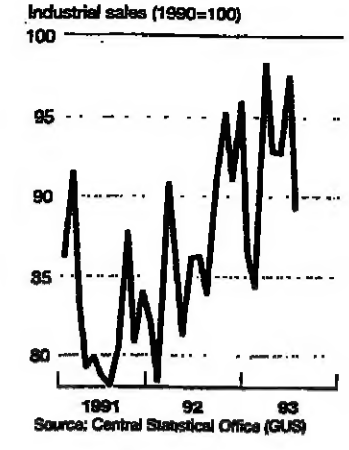
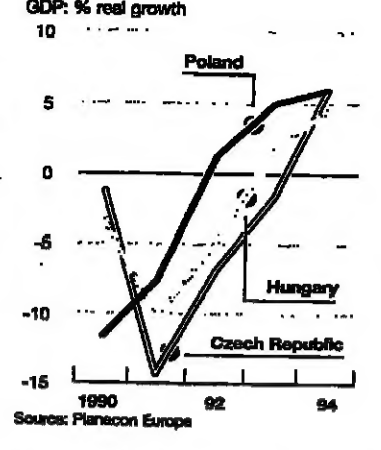
Polish elections

OVER the past four years Poland has been transformed from an economic basket case into what will almost certainly be the fastest-growing economy in Europe this year. Yet the two political parties which have done most to steer Poland through the grinding process of economic transformation - the Democratic Union (UD) of Ms Hanna Suchocka, the outgoing prime minister, and the free market Liberal Democratic Congress (KLD) of former prime minister Jan Krzysztof Bielecki - are both trailing in the opinion polls.

Mindful of the Clinton campaign's exhortation to concentrate on "the economy, stupid" both parties have sought, ineffectually, to capitalise on the positive aspects of Poland's economic performance. A stern-looking Ms Suchocka stares down from a poster with a caption reading weakly "The economy comes first", while the KLD is running a campaign praising foreign investment and promising a million new jobs over the next three years.

But, in spite of the overwhelming visual evidence of brightly lit shopping streets, a boom in new cars, colour television and washing machine sales, a rash of new hotels

Poland's path to recovery



and a million and a half private entrepreneurs hustling for business in a 60 per cent privatised economy, a bemused electorate is being bombarded by propaganda from a plethora of right- and left-wing opposition parties which portrays an economy in ruins run by criminals or incompetents.

This bizarre dichotomy leaves Mr Leszek Balcerowicz, the former finance minister whose 1990 shock therapy reform strategy abolished subsidies, made the zloty internally convertible and set the economy on course for recovery, unsure whether to laugh or cry.

"The problem is that even successful reform carries a high price," he sighs.

Sitting in the sparsely furnished Warsaw offices of the Foundation for Economic Education, set up specifically to create greater economic awareness among non-specialists, the principal author and executor of Poland's reform programme adds: "The shift from disguised to open unemployment alone generates much discontent."

In Poland's case official unemployment has risen from practically zero, when factories and offices were full of full-time smokers, drunks and tea-makers, to 15.4 per cent of the workforce, over 2.8m people in August.

But even the high and still rising unemployment rate does not tell the full story. More than 8m Poles out

of a population of 39m now receive a pension from the state. Pension subsidy payments have risen from 4 to 24 per cent of spending over the past four years. This is largely due to a sharp rise in invalidity pensions which were doled out to middle-aged workers in heavy industries such as steel and mining to smooth their dismissal.

Such workers were formerly the proletarian heroes of communist propaganda, with higher than average pay and perks. Statistics showing that pension payments have risen simply do not wash with these unemployed former workers in the

grim housing estates of the industrial cities. They are unable to buy the cornucopia of consumer goods now on offer and suffer the additional indignities of being splashed by the new rich as they zoom past the dilapidated tram stops in their shiny imported cars.

But envy and relative deprivation are not the only factors working in favour of a resurgence in electoral support for the revamped former communists of the Democratic Left Alliance (SLD) and the dissipation of votes among a gaggle of hysterical nationalists, irrational populists and rabid anti-communists who will

fail to leap the minimum 5 per cent vote hurdle needed to enter the new parliament.

Around 40 per cent of Poles still live in rural areas. Farmers in particular resent the unfair competition from a European Community which restricts access to Polish farm goods by both tariffs and thinly disguised protectionist moves such as this year's ban on meat imports from eastern Europe after a small outbreak of foot and mouth disease in the Balkans.

The former communist-aligned Peasants party (PSL) is pulling in support on the basis of a pledge to build an EC-type tariff wall around Polish farmers to recoup their falling incomes and protect them from unfair subsidised EC competition.

"The EC has a doubly malign influence on Polish politics. Unwillingness to open the European market to sensitive goods like steel and textiles raises unemployment, while the level of EC protectionism permits critics of the pro-market Liberal Democrats (KLD) in particular to accuse them of naivety and ignorance of the real world," Mr Balcerowicz says.

The timing of the unplanned, early elections is also unfortunate for the ruling parties. The enormous political capital built up by the Solidarity movement by its victory over the communists in 1989 evaporated fast. Solidarity disintegrated in a welter of unseemly personal squabbles as realisation dawned that the institutional changes needed to consolidate the transition to a market economy would be both long and painful.

For many, the pain still outweighs the gain. Rising output has been accompanied by soaring productivity gains of around 11-13 per cent this year. But growth only resumed a year ago after three tough years of overall decline. Real wages, which the World Bank estimates dropped by 3 per cent net of tax in the 12 months ending July, remain very low while prices have soared to world levels.

The "feel bad" factor cannot have been alleviated by economic developments since the dissolution of parliament at the end of May. On July 5 the caretaker government introduced a value added tax with a 22 per cent top rate and on August 27 it devalued the zloty by 8 per cent in an attempt to boost declining exports and compensate for the import boom which preceded the introduction of the tax. (A 27 per cent rise in imports and a 7 per cent drop in exports led to a record \$1.4bn trade deficit over the first seven months.)

Technically, the smooth introduction of VAT, and the broadening of the tax base which results from it, will help to improve the sustainability of the economic recovery. Higher revenues will also help Poland keep within the IMF guidelines necessary to attract foreign investment and finance a future \$12bn debt reduction and rescheduling agreement with the commercial banks.

In the short run however the combination of higher taxes and devaluation will add to the squeeze on incomes and make it difficult to reduce inflation from around 35 per cent a year at present.

Which is why, as election day looms on Sunday, the government parties look gloomy, and the reformed communists are quietly expecting to become rock of the electoral roost.



Outgoing premier Ms Hanna Suchocka: gloomy prospects

## Ex-communists get it right with wrong message

By Christopher Bobinski

IT WAS the sort of message that goes down well with the World Bank and foreign investors. "Creating a free market is too serious a business to leave to right-wing liberals."

However, the speaker, Mr Zbigniew Siemiatkowski, an election candidate representing Poland's neo-communist Democratic Left Alliance (SLD), was listened to with only polite attention by the audience of diehard communists, ageing workers and pensioners who had gathered in the town of Ciechanow, north of Warsaw, for his campaign meeting.

With 40 years of party discipline behind them, they can be relied on to turn up at the polls on Sunday to vote for Mr Siemiatkowski, while around half of the Polish electorate is likely to stay at home.

The mainly grey-haired audience has no desire to see the demise of Ciechanow's new shops, full of attractively packaged Polish products alongside expensive imported goods. But at the same time they want higher pensions, better health care and secure jobs for their children.

At the 1991 elections, Mr Siemiatkowski won 16 per cent of the vote when the unemployment rate in Ciechanow province was 17 per cent. It has since risen to 22 per cent, with peaks of up to 56 per cent in the towns, where the closure and scaling back of state enterprises have greatly exceeded the creation of jobs by service industries and small businesses.

On Sunday the SLD expects to gain around 25 per cent of the vote, provided the discontented do not opt for more radical alternatives with barely disguised anti-Semitic and xenophobic undertones, such as Samobrona, the rural "self-

defence" party, or Party X, headed by Mr Stan Tymiński, the populist Polish-Canadian, who gained more than 3m votes when he stood against President Lech Walesa in the 1990 presidential elections.

Keeping his party together in the face of radical siren songs from both right and left promises to prove a difficult task for Mr Alexander Kwasniewski, the SLD leader. These strains first emerged earlier this year when he persuaded his party to support the coalition government in a vote for mass privatisation involving foreign investment managers.

Mr Kwasniewski, a 38-year-old pragmatic former reform communist who played a key role in the peaceful handover of power to Solidarity in 1989, knows the SLD's internal divisions would widen if it wins enough votes on Sunday to become part of a future centre-left coalition government.

He would then have to satisfy the aspirations of his core supporters for more social security spending and job creation schemes. But this would lead to higher inflation and destroy the party's credibility as a genuinely modernising force.

Mr Kwasniewski knows that it will take time before economic growth can deliver the higher living standards his voters are looking for. So no matter how many votes his party wins on Sunday Mr Kwasniewski now says that he will only take part in a future coalition if it enjoys a majority strong and stable enough to run a full four-year parliamentary term.

What he wants to avoid at all costs is to share the responsibility of power in a weak coalition with the prospect of having to face early elections before the economy is able to deliver the goods.

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## NEWS: THE AMERICAS

# Congress Republicans set out health plans

By George Graham in Washington

REPUBLICANS in the US Congress yesterday produced their proposals for health care reform, pre-empting the formal announcement of President Bill Clinton's plan by a week. But the reform plans, announced separately by Republicans in the Senate and the House of Representatives, differ almost as much from each other as they do from Mr Clinton's blueprint, and both groups said they were willing to work with the administration.

On the Senate side, a Republican task force led by Senator John Chafee of Rhode Island laid out a proposal intended to phase in universal health cov-

erage by the turn of the century and to slow the growth of medical costs. Mr Chafee said his plan would set up a standard health care package, to be established by a national commission, and would create health care purchasing co-operatives. These co-operatives, however, would be voluntary, unlike the Clinton proposal for "regional health alliances," which would require everyone in their geographical area to enrol, except for companies with more than 5,000 employees.

The plan would aim to cut the annual rate of growth in government spending on its existing Medicare and Medicaid programmes, which provide health coverage to the

elderly and the poor, respectively, to 7 per cent, compared with 12 per cent today.

Senator Kit Bond, another of the architects of the plan, said it would make health insurance premiums tax deductible up to a set limit for individuals, including the self-employed. As savings began to be realised, vouchers could be phased in to help the less well-off buy insurance.

While the Republican Senate plan would require everyone to buy health insurance - much as drivers are required to buy car insurance - the Republican House plan would oblige businesses to offer a health plan to their employees.

Neither Republican proposal would force employers to pay for the coverage, unlike the

Clinton plan, which would require employers to pay 80 per cent of the premiums (although there would be caps for small businesses.)

## The Republican House proposal would oblige businesses to offer employees a health plan

The House Republicans plan for extending health insurance to the estimated 37m people who have none is a tax-free "Medical Savings Account," similar to the Independent

Retirement Accounts allowing tax-free pension savings.

The plan suggests allowing people to keep any unused money from these accounts at the end of the year, so giving people a financial interest in a more economical consumption of medical services.

The Republicans have a credibility problem on health care, to judge by opinion polls which show them to be much less trusted than the Democrats by voters on this issue.

This may help account for the somewhat tentative offerings yesterday, where both House and Senate Republicans acknowledged that their plans were not the final answer. "We are not here to criticise the administration's draft," said Senator Robert Dole, the

Republican leader.

The administration, meanwhile, sought to allay the fears of the health industry that its efforts to consolidate or share equipment and co-operate on services could run foul of antitrust law.

The Justice Department laid out guidelines which clarify the sorts of merger and joint venture that would normally be safe from antitrust challenge. These include hospital mergers where one hospital has fewer than 100 beds, fewer than 40 patients a day and is over five years old; joint ventures to buy expensive equipment, and physician networks with less than 30 per cent of the doctors in any specialist field and any geographical area.

# A lifebelt for Brazil's urban poor

The street economy is worth \$490bn, says Christina Lamb

WALKING along the main commercial thoroughfare of Rio de Janeiro is a daily battle. Pedestrians bump and curse along pavements packed with stalls selling everything from sink plungers and hair grips to video games and computer parts, which in the past three years have transformed the centre of Rio into an enormous bazaar.

Much of what is sold looks like junk. But, according to the Inland Revenue (RF), Brazilian streets are paved with gold. A recent RF study found that the informal economy, including prostitution, drugs and illegal gambling, moves around \$490bn a year - more than the country's entire gross domestic product.

## Brazil has the world's biggest gap between rich and poor

A nationwide phenomenon, the underground economy is most visible in Rio, which has up to 200,000 stalls (or *camelôs*, as both stalls and stallholders are known) and São Paulo, which has an estimated 180,000 - five times the number of shops.

Mr Rodrigo Lopes, economic development secretary for Rio, says: "It is a phenomenon of urban sociology which happens in any big city but here is intensified by misery, recession, lack of welfare and an excessive tax system."

Brazil has the world's biggest income gap between rich and poor, soaring unemployment (São Paulo has 1.14m unemployed), a recession which has seen per capita income drop 10 per cent in three years, and a complete absence of a welfare system.

Sociologists struggling to explain the lack of social unrest in such a country often seize upon the burgeoning informal economy. Mr Carlos Lessa, professor at Rio's Federal University, says: "It's a non-institutional lifebelt that society has created to survive."

Mr Márcio dos Santos, selling knives and scissors in his regular spot directly outside a hardware shop on Rue Uruguaiana, is a former Marxist who lost his job and needed a quick way to support his wife and four children. Now earning Cr200,000 (\$10) a day, he says: "It's a much better living than I got in the Marxist's. It's 100 per cent profit."

But it is not always a question of survival. The *camelô* explosion has thrown up entrepreneurs who run networks of 40 or more stalls, even supplying hot meals to their salesmen. Their wares are often stolen goods or contraband, smuggled high-tech items oth-

erwise unobtainable because of Brazil's strict import laws. Despite its disorganised appearance the *camelô* business is rigidly controlled, with formal representatives and each stallholder assigned his own territory, for which, in some cases, rent must be paid. When cash-starved local governments, frustrated by the sales tax slipping through their fingers, periodically send in police and tax inspectors, the stallholders often respond with gunfire.

Mr Cesar Maia, the new mayor of Rio, says: "The problem is that urban disorder has become structured and developed a new order." Rejecting the heavy-handed approach, his administration has developed a four-year strategy working on three fronts. First it is making it easier to obtain licences, allowing people to set up businesses in their homes, previously prohibited, and giving tax exemption for small businesses.

At the same time the administration is working with police to locate and seize clandestine deposits of merchandise. It is also moving into areas at night and closing them off so *camelôs* cannot come in. Instead, small markets will be created for a limited number of licensed stalls.

By contrast, São Paulo has resorted to police action to force stallholders off the streets.

In fact *camelôs* are just a fraction of the informal economy. Mr Lessa estimates that 40 per cent of the workforce of Rio is involved in "non-regulated activities", whether transport, repairs, or running illegal lotteries. São Paulo even has a fleet of 2,000 clandestine buses.

## More of the formal economy has stopped paying taxes

In the past two years more of the formal economy has stopped paying taxes, partly because of recession but also because of the heavy burden and complicated system.

So most businesses run a *caixa dois* (second cash register) or parallel accounting system, and restaurants and shops rarely give proper receipts. Many *camelôs* belong to shops, selling their wares to avoid sales tax.

Mr Paulo Protásio, head of the Rio Chamber of Commerce, says: "*Camelôs* are just the visible tip of the whole fiscal iceberg. If I pay a salary of \$200, the worker only receives \$70 and the rest goes in taxes and contributions. It is almost impossible to make money legally and we are destroying the formal productive system."

# Cars pact signed

By Joseph Mann in Caracas

COLOMBIA, Ecuador and Venezuela have signed an agreement aimed at strengthening local vehicle assembly industries and discouraging imports of complete vehicles.

The agreement sets common external tariffs on imports of complete vehicles ranging from 15 to 35 per cent, and 3-5 per cent duties for imports of complete knock-down kits (CKDs). The three countries also will ban imports of used vehicles,

or new vehicles from earlier model years.

The accord will take effect on January 1 for Colombia and Venezuela, and later in 1994 for Ecuador. The pact will cover about 70 per cent of the Andean vehicle market, which includes Bolivia, Colombia, Ecuador, Peru and Venezuela.

Lower trade barriers in the three signatory nations have hit domestic assembly plants as imports of fully-assembled vehicles have grown sharply in recent years.

# Task force for US telecom future

THE US administration yesterday set up a task force to co-ordinate government and private sector efforts to develop new "electronic highways" for voice and data communications, writes George Graham.

Vice-President Al Gore said the task force would review federal laws and rules governing the telecommunications market - many of them dating back to the 1930s - and seek to speed creation of a national information infrastructure.

The plan Mr Gore announced yesterday outlines a future of telecommuting, long-distance education, interactive television and widespread access to databases through a network of cable and satellite links.

"It's critically important to the economic future of the United States," Mr Gore said.

The task force is expected to conduct a thorough review of the Communications Act of 1934, which casts a dominating shadow over the entire telecommunications field.

Designed in the days of a monopoly telephone company, the act is based on a principle of universal access which has been somewhat overtaken by technological developments.

Mr George Fisher, chief executive of Motorola and chairman of the Council on Competitiveness, a business grouping, yesterday welcomed the administration's policy announcement.

# St Louis bank cuts interest rates

THE Southwest Bank of St Louis, which in the past has acted as a bellwether for bank lending rates in the US, yesterday cut its prime rate by a quarter of a percentage point to 5.75 per cent. Its first cut since July 1992, writes Richard Waters in New York.

Most other banks failed to follow suit, and several of the biggest commercial banks said they had no intention of cutting their prime rates. However, after two years in which US banks have rebuilt their lending margins, the move seemed an early sign that these are likely to come under pressure soon.

The Southwest Bank of St Louis said its cut reflected a weakening of the US economy. The higher tax rates imposed in this summer's budget are also likely to weaken small businesses further, said Mr Drew Basser, chairman.

Bank lending margins grew from just over 4 per cent in 1990 to 4.5 per cent last year, partly as a result of the large gap during that period between short-term and long-term interest rates, but also because banks raised their margins to rebuild reserves.

Most banks have now seen a sharp improvement in their financial position but are still experiencing weak demand, suggesting that they may begin cutting lending margins again to win business.

# Argentina sees strong economic growth and record low inflation

By John Berham in Buenos Aires

ARGENTINA forecasts record low inflation, continued strong growth and a smaller trade deficit in its 1994 budget, sent to Congress on Tuesday evening.

Economy minister Domingo Cavallo once again plans to balance the federal government's books. Rock-solid government finances were one of the keys to suppressing hyperinflation and unleashing rapid growth.

Mr Cavallo has trimmed spending slightly by \$4.8m to \$39.58bn - equivalent to a 10 per cent cut in real terms. Nonetheless, he has used big

savings on debt service payments and subsidies to increase spending on education and social services.

## The 4 per cent inflation forecast is the lowest in the country's recent history

One of the budget's key assumptions is a forecast 4 per cent inflation rate, the lowest in Argentina's recent history. Independent economists believe this is attainable and should strengthen confidence

in the ability to sustain Argentina's fixed exchange rate. Low inflation, plus continued economic liberalisation, is expected to generate 6.5 per cent economic growth.

If this objective is met, it will bring Argentina's accumulated growth rate to over 30 per cent since Mr Cavallo took office in January 1991.

The budget forecasts 1994 GDP at \$285.31bn, giving Argentina income per head of \$8,800 - the highest in Latin America.

Despite strong growth, Mr Cavallo expects the trade deficit to fall by almost half from the projected \$3bn this year to only \$1.5bn in 1994.

Social services are the biggest spending item, with \$25.66bn - 3.7 per cent more than last year. Spending on education will rise 20 per cent to \$2.46bn.

The defence budget, which includes the armed forces and paramilitary security services, is set at \$3.58bn, up 14 per cent. The interior ministry's budget is halved to \$720m.

Despite rising budgets and aggressive privatisation and deregulation programmes, the quality of government services has not improved substantially. Schools, hospitals, the police force and the justice system are plagued by waste, corruption and inefficiency.

# Canada Liberals pledge to renegotiate Nafta

By Bernard Simon in Ottawa

CANADA'S opposition Liberal party has pledged to renegotiate the North American Free Trade Agreement and the 1989 US-Canada Free Trade Act if it wins the October 25 general election.

The country's Liberals yesterday issued their policy platform, which also includes a planned shift in government spending priorities away from defence and grants to business, in favour of apprenticeship and other training programmes, research and development and expanded child-care subsidies.

The Liberals are at present slightly ahead of the ruling Progressive Conservatives in public opinion polls. However Mr Jean Chrétien, their leader, trails well behind prime minister Kim Campbell in personal popularity.

Many seasoned political observers predict that the most likely election outcome is a fragmented parliament with neither of the two main parties

able to muster an outright majority.

Besides the net savings from the switch in public spending priorities, the Liberals are relying on accelerating economic growth to bring down the federal budget deficit from 5.2 per cent to 3.0 per cent of gross domestic product by 1998.

The Progressive Conservatives have promised to eliminate the budget deficit, which stood at C\$35.5bn (£17.44m) last year, within the next five years. But they have yet to spell out precisely how this thorny task will be achieved.

According to their policy document, the Liberals would seek to include a subsidy and anti-dumping code in the free trade agreements, and to set up a "more effective" dispute settlement mechanism.

A Liberal government would also aim to secure the same protection for Canada's oil and gas producers as that enjoyed by the Mexican energy industry.

A Liberal Party official said yesterday that Mr Chrétien would visit Washington soon after the election, in the expectation of making a "convincing case" to the Clinton administration to re-open the free trade agreements.

The Liberals are vague, however, about what would happen if the Americans and Mexicans turned down their demands.

The official said that any decision on whether to implement Nafta as it stands, or to abrogate the two agreements would be up to the cabinet.

According to the policy document the bulk of the savings in public spending under a Liberal government would come from the cancellation of Canada's C\$5.8bn order for 50 European designed EH-101 helicopters, which are built by the UK's Westland Group.

Ms Campbell earlier this month said the Conservatives would cut the helicopter order from 50 to 43 aircraft if she was returned to office.



Nervous tourists at Heathrow read of the British holidaymaker murdered this week in Florida

The Minister of Privatisation announces a tender in accordance with Art.21, Para. 3 of the Law dated 30th April, 1993 on National Investment Funds and Their Privatisation (Journal of Laws No. 44, Item 202) and pursuant to Para. 2, Sec. 1 of the Ordinance of the Council of Ministers dated 25th August, 1993 on the detailed procedure of conducting a tender to select firms to manage the assets of National Investment Funds (Journal of Laws No. 84, Item 392).



## REPUBLIC OF POLAND THE MINISTER OF PRIVATISATION announces a tender to select

### FIRMS TO MANAGE THE ASSETS OF NATIONAL INVESTMENT FUNDS

The purpose of this tender is to select firms to manage the assets of National Investment Funds with which the Funds will conclude fund management agreements. The Funds will be established as joint stock companies in or around January 1994. Initially, the assets of the Funds will comprise 60% of the shares in designated companies established as a result of transformation of state-owned enterprises. The Funds will be important economic entities, competing with each other, the shares of which will, in due course, be publicly traded on the Warsaw Stock Exchange.

It is expected that during 1994 all interested adult citizens of the Republic of Poland together with certain groups of entitled persons will receive share certificates, which will give their holders the right to exchange them for the State Treasury's shares in the Funds. As a result of this exchange, the Funds will be fully privatised.

It is intended that firms appointed to manage the assets of the Funds will receive an annual management fee in cash and additional annual remuneration based on the future market value of the shares of the managed Fund.

#### Participation in the tender

Entities (legal persons or consortia including legal persons) which intend to participate in the tender should submit to the Department of National Investment Funds, Ministry of Privatisation (at the address set forth below) a statement, in writing, of their intention to participate in the tender, including in particular the following information:

- a copy of the financial report (balance sheet and profit and loss account) for the latest financial year, and in the case of a consortium, copies of the latest financial reports of the main participants in the consortium, as well as the opinion of an auditor concerning the financial report for the latest financial year, if an obligation to prepare such an opinion is required by Polish law;
- a summary description of the experience of the entity in financial advisory services, management advisory services, restructuring of enterprises, industrial management, the management of assets of investment funds, cooperation with institutional investors, and other types of activities, as well as other information which could be relevant to assessing the tender participant's ability to perform the tasks of a fund manager, with particular consideration given to experience in economic activity in Poland; and
- a written declaration, using the text proposed by the Minister, that no economic, organizational or legal information obtained in connection with the tender shall be made available to third parties.

The Minister of Privatisation shall make available information on the required form of the technical proposal and the financial proposal to parties which satisfy the above conditions.

In order to enable entities to establish a consortium, the Department of National Investment Funds, Ministry of Privatisation, at the written request of any such entity, shall provide a list of entities interested in the establishment of a consortium.

#### Criteria for selection of fund managers

The selection of Fund Managers will be carried out by a Selection Commission established for this purpose. The detailed criteria for selection of Fund Managers from among tender participants have been determined by the Council of Ministers in an annex to the Ordinance referred to above, copies of which will be made available by the Minister to tender participants.

#### Address and tender deadline

The deadline for submitting tender proposals to the Technical Secretariat of the Selection Commission is 17.00 hours on 30th November, 1993. The Minister of Privatisation reserves the right to extend this deadline by a period not longer than two months, provided, however, that any announcement of an extension of the deadline shall be made no later than 15th November, 1993.

Technical Secretariat of the Selection Commission  
c/o Department of National Investment Funds,  
Ministry of Privatisation,  
ul. Krucza 38,  
00-522 Warsaw  
Poland  
Tel: (48 22) 29 25 87  
Fax: (48 22) 29 71 29



PROGRAM POWSZECHNEJ PRYWATYZACJI

The tender shall be conducted in accordance with the Council of Ministers' Ordinance referred to above. Notification by an entity of its intention to participate in the tender shall be treated as an acceptance of the tender procedures contained in the legal acts mentioned above and in the formal tender documentation.



## French warn of crisis over farm accord

By Andrew Hill in Brussels, David Suchan in Paris and Deborah Hargreaves in London

MR JEAN PUECH, the French agriculture minister, warned yesterday that the "spectre of crisis" would be released if the EC did not agree to renegotiate last November's US-EC farm trade accord.

Mr Puech is engaged in a frenetic round of diplomacy with his EC partners ahead of Monday's special meeting of EC foreign and farm ministers in Brussels.

Yesterday he met Mr René Steichen, EC farm commissioner, before flying on to Madrid for talks with his Spanish counterpart.

Mr Puech told journalists in Brussels that Spain, Germany and Italy were rallying behind the French position.

Mr Steichen told the minister that the European Commission would do "everything in its power" to try to solve the political problem over the EC-US farm trade accord, named Blair House after the Washington mansion where it was signed last November.

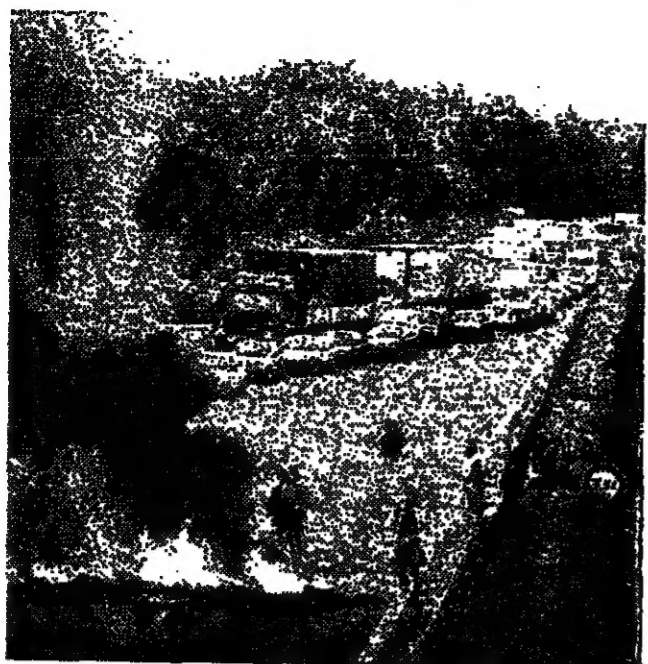
A spokesman for Mr Steichen said the two men had discussed the possibility of "completing and clarifying" the Blair House agreement, which is supposed to be a cornerstone of a world trade pact. Mr Puech welcomed what he said were "positive developments" and said Mr Steichen was "completely open" to the French position.

In separate talks, Sir Leon Brittan, the EC trade commissioner, stressed to Mr Günter Rexrodt, Germany's economics minister, the importance of keeping open the line of communication with the US.

Sir Leon talked to his US counterpart, Mr Mickey Kantor, in Washington earlier this week, but he did not propose changes to the Blair House deal.

The Commission is treading a difficult diplomatic path in its attempt to avoid offending France or the US.

Members of France's main wildcat farm union, Coordination Rurale, succeeded yesterday in blocking a motorway into Paris by burning tyres.



French farmers block a motorway into Paris by burning tyres

day in sporadically blocking some roads and rail lines around Paris, but highway officials said the disruption was less than that in the recent national return from the summer holidays.

Using what their leaders called "Vietcong guerrilla tactics", small groups of Coordination Rurale members started in the early hours of yesterday morning putting up blockades, often at highway tolls where cars have to stop anyway. They mainly relied on pushing lighted rubber tyres onto roads and some rail lines - including that carrying the high-speed TGV-Atlantique between Paris and Tours - but in a few places they briefly blocked roads with cars and tractors.

Some FNSEA pig farmers joined in the action yesterday, temporarily blocking the Paris-Lyon rail line with straw bales, but the FNSEA and CNJA have timed their anti-Gatt demonstration for next Monday, when EC ministers meet in Brussels to discuss the EC-US farm deal.

Chancellor Helmut Kohl is also expected to discuss the Gatt farm issue with President François Mitterrand when the

German leader comes to Paris next Monday, it was announced in Bonn yesterday. Mrs Gillian Shephard, UK agriculture secretary, said yesterday the UK would strongly object to any backtracking on the Blair House agreement.

"If you try to re-negotiate bits of it, the whole package could come unravelling with implications for other industries as well as agriculture," Mrs Shephard said.

The Blair House deal agreed last November cuts subsidised exports of wheat and other farm products by 21 per cent over 6 years.

France wants to improve the terms of the accord, agreement on which holds the key to successful completion of the Gatt Uruguay round talks. It has some support for its position from Spain and Ireland.

Mr Rexrodt said there was room for clarification on Blair House and hoped the French would be able to fulfil their interests within the accord.

Although German farmers are putting some pressure on their government ahead of Monday's council meeting, the UK farm lobby has come out in support of Blair House.

## EC textile imports will rise, says report

By Daniel Green

TEXTILE and clothing imports from outside the EC will increasingly dominate European markets over the next few years, says a market report. Commissioned by Messe Frankfurt, organiser of one of the world's largest textile exhibitions, the report says that by 2001, 70 per cent of the EC's consumption of 8.6m pieces of clothing will be imported. In 1991, 54 per cent of

the 6.4m garments sold in the EC were imported.

Much of the change will result from new retailing patterns in southern Europe, where only a small proportion of clothes is now imported from outside the EC.

Some 64 per cent of clothes imported from outside the EC are today sold through price-conscious chains prepared to organise large-scale imports. But while such chains dominate in

northern Europe, they are only beginning to penetrate Mediterranean countries such as Spain and Italy.

Rising wages in southern European countries will also help to push production to lower-wage countries.

European manufacturers are responding through outward process - in which up to 49 per cent of the manufacturing is in low-labour-cost countries, usually in eastern Europe or north Africa. This still allows the gar-

ment to be labelled as being manufactured within the EC.

Italy is and will remain the biggest clothing producer, with output more than twice any other EC country's.

The forecasts assume any new Gatt agreement will not include measures to protect the European textile and clothing industries.

\*The Textile and Clothing Industry in the EC until 2001. Kurt Salmon Associates. £100.

## Big Bang ends in a whimper

Unctad challenges shock reforms in E Europe, says Frances Williams

TRADE PROTECTION, weak commodity prices and high levels of indebtedness continue to dog the development efforts of many poor countries, the United Nations Conference on Trade and Development says in its annual report published today.

In a controversial challenge to current economic orthodoxies ahead of the IMF/World Bank meeting later this month, Unctad calls for fiscal refutation combined with a one-off wealth tax to pull the industrialised nations - and the global economy - out of recession. It also questions the shock therapy prescription for developing and former communist countries.

Growth in the developing world was a healthy 4.4 per cent last year and is expected to maintain that pace in 1993, the report says. However, the strong performance of east and south-east Asia is in sharp contrast to stagnation elsewhere, especially in sub-Saharan Africa.

The report also warns that recent economic expansion in Latin America has been fuelled by large-scale short-term capital inflows which may not be sustainable.

Unctad, the main UN body for discussing north-south issues and a consistent critic of laissez-faire capitalism, says industrialised countries need a co-ordinated effort to boost demand and cut unemployment. High budget deficits and government debt, which now constrain expansionary policies, should be reduced through privatisation and a levy on private financial assets.

Recession in industrialised

Country (annual average)	WORLD OUTPUT 1980-1993 (% CHANGE)			
	1980-90	1991	1992	1993*
World	2.8	0.4	1.4	1.4
Developed market economies	2.7	0.7	1.4	0.8
of which:				
US	2.5	-1.3	2.1	2.0
Japan	4.2	4.4	1.3	1.0
EC	2.3	1.4	1.1	-0.5
Central and eastern Europe**	1.9	-14.9	-15.9	-12.0
Developing countries	2.9	3.9	4.4	4.6
of which:				
America	1.0	3.6	3.0	2.7
Africa	1.9	2.5	1.5	3.0
Asia	4.5	4.5	6.0	6.2
China	8.9	6.6	12.8	11.0
World Trade (volume)	3.7	3.0	4.5	5.6

\*Forecast. \*\*After 1990, the former German Democratic Republic is included in Germany. Source: UNCTAD

countries has nurtured protectionism at the same time as many developing countries have been liberalising trade regimes, the report says. It estimates that a fifth of developing country exports to the rich nations are covered by non-tariff barriers to trade, such as quotas, "voluntary" export restraints and anti-dumping actions. For products excluding fuels the ratio rises to nearly a quarter and for textiles it reaches over 70 per cent.

Over the past two years alone, developing countries have lost a sixth of their commodity export earnings due to falling commodity prices, it says continuing a decline that began in the 1980s. For Africa the earnings loss was nearly a quarter and for Latin America one-fifth.

Unctad adds that although the international financial system is no longer in danger the debt crisis is not over. More than 60 countries, especially in sub-Saharan Africa, are in

arrears with their foreign creditors and the debt of some former socialist countries, notably Russia, poses new challenges. For developing countries Unctad urges bigger reductions in official bilateral debt, rescheduling of debt owed to multilateral institutions such as the World Bank, and more pressure on private creditors to agree debt reduction.

It also calls for a comprehensive programme for Russia's \$78bn (\$50bn) foreign debt, over half of which is owed to governments. This might include extra aid or debt relief in return for a cut by Russia of its claims on other troubled debtors, including former Soviet republics.

Looking at the factors which propel growth, Unctad argues that east and south-east Asian economies have built their success on trade, investment and strong government support to private business and exports.

The success of gradual economic reform in China, which notched up growth of about 13

per cent last year, also casts doubt on the conventional wisdom concerning transformation of planned economies.

China has introduced market-based reforms without formal privatisation of state-owned enterprises while a dual price system has until recently kept inflation under control and so avoided disruptive stabilisation programmes.

By contrast, Unctad says, the formerly socialist countries of central and eastern Europe have tried "big bang" reform through abrupt liberalisation, deregulation and privatisation. Since the beginning of the transition process output has declined on average by a third.

Many of these countries now find themselves in "a twilight zone where there is neither plan nor market", says the report arguing that government intervention is needed to give shape to the new market system and to cushion the transition.

The Asian experience shows export success requires not only "getting prices right" but also "active government support and... well-targeted protection of domestic producers". In sub-Saharan Africa, the report says a decade of structural adjustment programmes have failed to reverse economic decline. Per capita incomes are still falling and remain below 1970 levels. "On current trends it would take 70 years to double them," even in countries undertaking intensive adjustment measures.

Trade and Development Report 1993, UN Sales Section, Palais des Nations, CH-1211 Geneva 10 (Sales No. E.93.II.D.10), \$45.

## Satellite first for new entrant

By Daniel Green

A US-Russian joint venture to sell satellite launches on Russian rockets has won its first contract, Daniel Green reports from London.

Lockheed-Khrunichev-Energia International (LKEI), competing against Arianespace, McDonnell Douglas and General Dynamics, has won an agreement to launch up to five satellites built by Space Systems Loral, a US satellite builder.

Launches on Russian satellites cost about two-thirds those on western launchers.

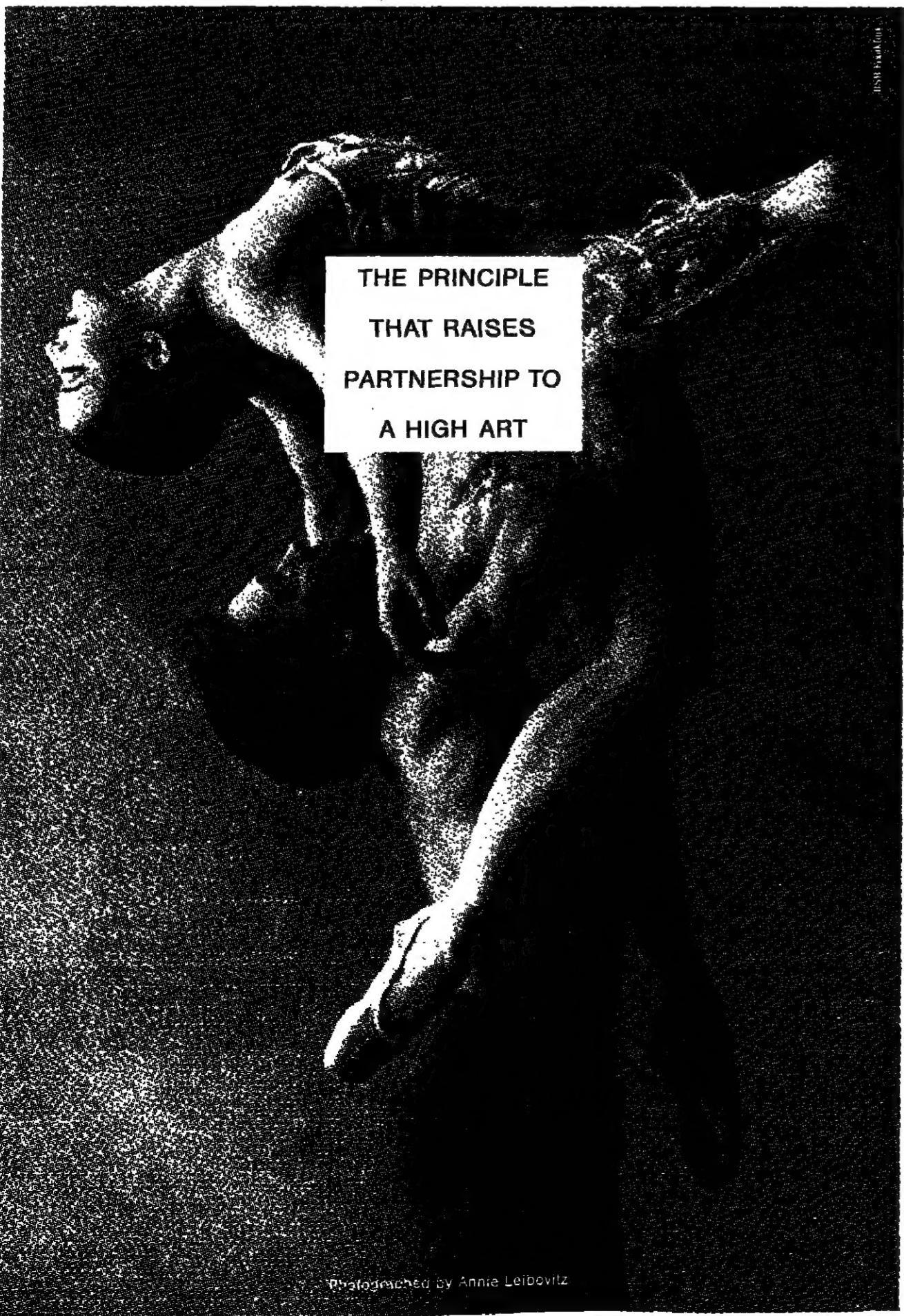
## UK shipbuilder's victory in Israel

Ferguson Shipbuilders, the Scottish shipyard, has won a court battle in Israel which should mean that it gains a 29m order to build two tugs for Israel Electric for use in the Israeli port of Hadera, writes James Buxton.

Ferguson had submitted a tender 23 per cent lower than Israel Shipyard, but the state yard was awarded the deal.

## Fiat signs Polish factory deal

Fiat Auto and the Polish government yesterday signed agreements finalising the Italian motor car producer's takeover of the FSM factory in southern Poland, five days before the country's general election, Christopher Bobinski writes from Warsaw. The project is said to be worth \$2bn.



THE PRINCIPLE  
THAT RAISES  
PARTNERSHIP TO  
A HIGH ART

THE WIR PRINZIP

Every new venture begins with an idea - and internationally, expertise and experience, with a risk. Whether that involves international DG BANK volunteers an operating principle trade, equity investment, corporate borrowing that makes every customer a partner in a or liquidity management, your singular way. ■ We call it new associate represents an the "WIR PRINZIP", to which unknown quantity. So diverging DG BANK and its staff are interests, and the incalculable wholeheartedly committed. The human element inherent in every business WIR PRINZIP is rooted in the classic tradition relationship, present possible impediments of the cooperative system linking equal business to cooperation based on mutual trust. ■ ness partners. And it has a great future ahead The necessary rapport is achieved only of it. Because it exemplifies the central idea of through analysis of each party's natural partnership: that mutual cooperation leads to self-interest within a balanced concept. mutual success. As a customer you participate Because both partners want to profit, both In this way of doing business not only through want security. In an increasingly complex the customer-driven service quality of business environment, your bank's counsel- DG BANK; you will also find the same partner- ling skills are a vital aid for custom-tailored focused philosophy where it has always been concepts of this nature. In addition to at home - in every Volksbank and Raiffeisenbank.

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## NEWS: INTERNATIONAL

## Telecom row sours ANC call

By Philip Gawth  
in Johannesburg

THE difficulties faced by foreign investors in South Africa are unlikely to end with the call to lift sanctions by the African National Congress, expected any day now.

While the stigma of doing business with South Africa will at last have been removed, the green light for investors risks being undermined by a damaging dispute between the government and the ANC over cellular telephone licences.

The issue has become so serious that Mr Nelson Mandela, the ANC leader, and President F W de Klerk this month held a meeting purely on this subject. The cabinet was yesterday preparing to authorise issue of the two licences which on Tuesday Mr Cyril Ramaphosa, ANC secretary general, warned would be reviewed and possibly revoked by a new government.

Vodafone of the UK has a 35 per cent stake in Vodacom, one consortium expected to win a licence. The public utility Telkom has a 50 per cent stake and Rembrandt 15 per cent. The other consortium likely to be successful includes Cable & Wireless. The two winners will run competing services.

Although the ANC says it is not opposed to cellular telephone networks, it has raised numerous objections to the way in which the government is issuing the licences.

The ANC maintains the government is proceeding with "unilateral restructuring" of the economy, that is trying to privatise the telecommunications network, and that the technology chosen is too expensive and unsuitable for South Africa.

Within the government and the business community these reasons are widely dismissed as a fig-leaf for objections that are purely political - that government money should no longer be spent without the ANC's agreement.

There is also a more insidious suspicion that the ANC is trying to delay the issue of the licences in order to allow various US and Scandinavian companies to participate when sanctions in those countries are lifted. There have even been unsubstantiated suggestions that the ANC expects financial contributions from



South African police open fire on taxi drivers and an angry crowd hundreds-strong in Cape Town yesterday, to prevent a blockade of the city centre in protest at increased petrol prices

successful bidders.

On the ideological level, the ANC believes cellular phones should be run by the state - and subsidised if need be - while the government sees them as a means of introducing competition into the telecommunications sector. It also sees a cellular network as the cheapest and quickest means of offering most South Africans access to a telephone.

The message to foreign investors will be clear and unpalatable: the ANC remains an organisation that favours state over market, and South Africa remains a country where political interference can be expected in business

decisions.

If the government presses ahead with awarding licences, there must be some doubt as to whether those chosen will proceed while the security of their investment remains in doubt. Each licence is expected to involve the investment of about R1bn (\$294m), with an estimated R700m of this coming from abroad.

In South Africa telephone penetration (fixed phones per 100 people) is only 9.6 (about 2.4 in the black community; ten times that among whites). This compares to only 1.5 for the rest of Africa but to an average of about 50 for developed countries.

The tender documents stressed that a criterion which would "weigh heavily" was the extent to which the applicant was prepared to provide telephone services to the underdeveloped part of the community, almost certainly at subsidised tariffs.

Vodacom's plans include introducing at least 22,000 subsidised card-operated community telephones to over 80 township and rural areas. Mr Alan Knott-Craig, chief executive, argues: "It took us 100 years to provide 1 per cent of blacks with telephones. Within five years we aim to provide 10m South Africans with meaningful access to telephones."

## Egypt to hang two Moslem militants

AN EGYPTIAN military court sentenced two Moslem militants to hang and four to life imprisonment yesterday for trying to assassinate an army general, Reuter reports from Cairo.

The controversial military courts have now condemned 27 militants to death since President Hosni Mubarak resorted to them last December to ensure swift punishment for militants carrying out acts of violence aimed at toppling the government.

Fifteen of the condemned men have been hanged, five are in custody and seven are fugitives.

The two sentenced to death by a three-judge court in Cairo yesterday were among eight accused of trying to kill army General Osman Shabih in an ambush in Cairo on July 18.

The general escaped unhurt but six people, including a policeman and a militant, were killed in a shootout.

The young men were members of the militant al-Gama'a el-Islamiya (Islamic Group) which has claimed responsibility for many of the bomb attacks in Egypt's worst political violence for a decade.

Egypt has been criticised by human rights groups in recent months for carrying out its largest wave of executions for political crimes in decades.

At least 193 people have now been killed in political violence since March last year and 510 injured. The \$3bn tourism industry has been devastated by militant attacks.

## Jordan fears it may be left in the cold

West Bank trade is high on Amman's list of priorities, James Whittington writes

THE SPEED with which Jordan ratified its "agenda" for peace with Israel, after months of waiting for the Palestinians to hammer out a settlement, indicates the kingdom's concern that it may get left behind in any Middle East economic regeneration.

Having the longest common border with the occupied territories and with over half its population of Palestinian origin, Jordan has been perceived for many years as vulnerable to the Arab-Israeli conflict. The country is now in an ideal position to benefit from rapprochement, yet the government fears it will be economically marginalised under the present terms of discussion.

The West Bank and Gaza Strip are potentially lucrative markets for Jordan. The kingdom currently imports around \$30m worth of goods a year from the occupied territories. Government officials complain, however, that trade prospects are hindered by Israeli constraints which will impose a \$15m ceiling on Jordanian imports.

Further, they say that the Israelis are pushing for goods sold by Jordan to the West Bank and Gaza to be restricted to those exempted from Israeli tariffs. "This basically leaves us with little else but head-dresses and henna to sell," jokes Mr Jawad Anani, a minister of state.

Jordanian officials fear that Israel will continue to impose itself economically on the occupied territories. A recent World Bank report on the economic development of a Palestinian entity assumes that the monopolistic relationship of

"It will leave us little but henna and head-dresses to sell," a minister jokes

Israel over the occupied territories will continue.

In Jordan's "agenda" with Israel, trade with the West Bank and Gaza is said to be high on the list of priorities. Crown Prince Hassan says that free trade is the ideal. But Jordan's view that Israel intends to use a Palestinian entity as a Trojan horse to enter the Arab market, in tandem with Israel's protectionist stance over the occupied territories, bodes ill for future economic relations.

The crown prince says a development plan for the region should be drawn up among all parties. He criticises the international community for restricting development aid to the West Bank and Gaza Strip and calls on the World Bank and other international

institutions to reassess the development needs of the whole region.

"Unless a regional perspective is sought which includes the Syrians, Lebanese, Iraqis and Jordanians, then the \$60bn economy of Israel will take the initiative to develop the hinterland, which is totally unacceptable politically as well as economically," he says.

He further expressed concern that development ideas such as the construction of an oil pipeline from Elat on the Israeli side of the Red Sea to the Mediterranean and a proposed canal from the Mediterranean to the Dead Sea will be detrimental to Jordan and the region as a whole. "You can't continue to ignore us [in such discussions] yet at the same time expect us to participate in peacemaking," he warns. Having weathered the Gulf crisis along with a virtual embargo on Jordanian goods by the Gulf states, the kingdom's tiny economy (GDP was \$4.8bn last year at current producer prices) has proved itself resilient. Thanks partly to remittances from Palestinians expelled from the Gulf, real GDP growth was over 11 per cent in 1992.

But fears that the kingdom will be restricted from entering markets in the West Bank and Gaza which Jordanians feel are rightly theirs could strain relations with the Palestinians as well as the Israelis.

## Chad sacking points to rift with president

CHAD'S President Idriss Deby has sacked his finance minister and accused Mr Fidel Moumgar, transitional prime minister, of acting irresponsibly, Reuter reports from N'Djamena.

In a speech indicating a growing rift between the presidency and the transitional government, Mr Deby said he had sacked Mr Robert Roygman as finance minister and given his

portfolio to Mr Abdelramane Izzo Miskine, currently trade and industry minister.

Mr Deby said Mr Moumgar had "permitted and even encouraged behaviour and acts contrary to governmental etiquette" by Mr Roygman.

Mr Deby, who overthrew President Hissene Habre in 1990, has pledged to bring democracy to Chad.

## Zaire facing its 'worst human rights crisis'

AMNESTY International accuses Zaire's security forces today of appalling human rights violations and urges the international community to intervene before there is a complete breakdown of law and order, Reuter reports from London.

Amnesty says in a report that Zaire is facing its worst human rights crisis since the

end of the civil war in the mid-1960s. It cites "ruthless brutality of government security forces... who have murdered or tortured thousands of civilians and members of the peaceful political opposition". The report, "Zaire: Violence against Democracy", calls on the international community to devise ways to end the crisis.

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## State Bank of Pakistan goes independent

By Farhan Bokhari

MR MOHAMMAD YAQUB, governor of the State Bank of Pakistan, has been handed a formidable task. The central bank is to become independent following a decision by the cabinet of Mr Moeen Qureshi, caretaker prime minister.

A presidential ordinance due within days is expected to give powers to the bank to set its own monetary and administrative agenda in an effort to end manipulation by government officials, politicians and businessmen.

Mr Yaqub, who has had a career with the International Monetary Fund, took up his position in August after Mr Qureshi, also a former IMF and World Bank official, was appointed following the resignation of Premier Nawaz Sharif.

Mr Yaqub, an economic adviser to the finance ministry under Mr Sharif, became alarmed about the growing budget deficit. "The ordinance is not going to make us a Bundesbank. We are trying to get closer to what central banks are in most developing countries," Mr Yaqub said in an interview.

Independence is intended to help prevent the bank being of prodigal public spending.

"You have a situation where the government has been living beyond its means. The central bank should be in a position as an adviser to the government to go and tell them: here is the package of monetary variables consistent with your overall objectives. If you want those objectives, your budget discipline must be enforced in line with that," he said.

Mr Yaqub hopes to strengthen the bank by advising the government on the limits on deficit financing, by halting external influences on commercial banks to give loans, and by having independence in appointing employees. He has already raised interest rates by two percentage points in an effort to attract savings and counter rising inflation, and recommended a target of Rs20bn (2438m) for

government borrowings during the fiscal year which began in July, roughly a third of recent levels.

The State Bank's powers have been gradually eroded since the early 1970s when Pakistan's four largest commercial banks were nationalised. State-owned banks have since built up bad debts of Rs80bn.

Rampant growth in government spending has caused large budget deficits and uncontrolled government borrowing from banks. Public-sector deficit financing squeezed new credit to the private sector.

Mr Yaqub has refused to withdraw fines imposed on two of Pakistan's largest public sector commercial banks, despite concerns among some officials that this could damage their commercial credibility. He says he will not permit banks to violate requirements such as those related to maintaining a certain level of reserves or credit-deposit ratios, nor artificially show higher profitability despite bad loans.

Commercial bankers welcome the steps, seeing an opportunity to recover loans. "It's not as if the borrowers have defaulted because they had no money to pay back."

"It's just that they were too powerful and the finance ministry in Islamabad was behind them, so there were no fears of any clampdown," says one leading banker in Karachi.

Mr Yunus Khan, head of the Pakistani network of Deutsche Bank, says: "Hopefully, the State Bank will not play to the tune of the bureaucrats or the politicians."

However, he cautions that the loan recovery process may not be an easy one because of likely "legal entanglements".

Mr Yaqub hopes that a bold and independent central bank will help improve the country's monetary health and enforce prudential regulations.

He will inevitably come under heavy political pressure when a new government is elected on October 6, but is confident Pakistan will adhere to Mr Qureshi's reforms, because it has no other option.

## A half-written play between two acts

Japan's new coalition policies will emerge soon, William Dawkins writes from Tokyo

JAPANESE politics, in its present confused and fluid state, is like a half-written play, in between two acts. As the interval draws out, the actors behind the scenes are hammering out the next stage of the plot.

That is the analysis of Mr Shigeru Ito, top political theorist in the Social Democratic party, the largest and shakiest partner in Japan's month-old coalition government.

The jovial Mr Ito, once dubbed the "brain of the Socialists" by Mrs Takako Doi, former party chairwoman and current speaker of the lower house of parliament, became transport minister a month ago. The SDP, formerly called the Japan Socialist party, was thrust into power by the collapse of the conservative LDP government following defections from its ranks.

"For nearly 40 years, Japan was run by a millionaires' party, the LDP, with one party of opposition: us. Act One consisted of the change of administration. I believe that in the latter half of next year, the bell for Act Two will start to ring. At that stage, you will see new policies begin to solidify, placing Japan in a new world," says Mr Ito, 65.

What those new policies will be remains to be seen. Between now and the general election which he expects late next year, Mr Ito believes that the seven-party government of Mr Morihiro Hosokawa will manage to hold together, despite its divisions.

The big uncertainty in all this is whether the SDP will walk out, so depriving the coalition of its majority in parliament. Its left wing is offended by the fact that the party, humiliated in the July general election, has now supported some cherished policies, such as support for North Korea, to please its coalition partners.

Mr Sadao Yamahana, party chairman, who like Mr Ito has tried to steer the SDP towards the moderate right, has stood down as a result. However, Mr Ito is convinced the battle for Mr Yamahana's successor, to be chosen at the weekend, will be won by Mr Tomichi Murayama, a moderate candidate with support from both right and left.

"It is almost a fact that Murayama will become chairman of the SDP. He will fully support the Hosokawa administration," says Mr Ito. Mr Murayama is said to count on the support of two-thirds of the membership.

In the year ahead, political movements born of the summer political upheaval will gather into five main streams, Mr Ito believes. The LDP has already redivided into two groups: a conservative old guard and young members keen on party reform, represented by Mr Yoshi Kono, who was elected LDP president after the election defeat.

A third stream consists of liberal-minded former LDP politicians who belong to new parties. They include Mr Hosokawa's Japan New party and the New Harbinger party headed by the prime minister's close friend and ally, Mr Masayoshi Takemura, chief cabinet secretary. The pair are planning a merger.

Fourth, there are the former LDP powerbrokers who masterminded the old government's defeat, such as Mr Ichiro Ozawa, co-founder of the Japan Renewal party, and Mr Tsutomu Hata, party founder

and present foreign minister, who hold to a conservative line.

The fifth and largest, but divided, stream is the centre-left, led by the SDP with a handful of smaller fringe groupings around it.

The next election, Mr Ito predicts, will be fought between two coalitions made up from these groupings. "A US-style two-party system just would not suit Japan because it could not cover our complex mentality," he argues.

He has no illusions about the uncertainty of his own party's future in all this. Mr Ito has no idea exactly which parties the SDP will choose as coalition partners for the next election. However, he says, "it is clear we will have to co-operate with the liberals" (by which Mr Ito means Mr Hosokawa).

First, the SDP needs to work on its image, he acknowledges. The party did even worse than the LDP in the election, losing half its parliamentary seats as voters shunned the two oldest mainstream parties in favour of new political movements and promises of change from the rigid system of the past. "We made a strategic error. Voters thought we stood against progress, like a red light. We must change that light to green."

Mr Ito knows he faces a hard task. The SDP in parliament is larger than the former Tanaka faction of the LDP to which Mr Hosokawa used to belong, but much less powerful, he says. Meanwhile, the party has to adjust to the decline of socialism the world over.

He wryly recalls being told by Mr Laurent Fabius, the Socialist former French prime minister, when on a visit to Japan, that the secret of French socialism was its intellectual advantage. Clearly, that is no longer true in France and has not been true in Japan for the past 45 years in which the SDP has been out of power. Even so, he claims, "I am not pessimistic about the future."



Shigeru Ito: knows he faces a hard task

## IFC infrastructure investments increase by 65%

By Peter Norman, Economics Editor

THE INTERNATIONAL Finance Corporation is rapidly expanding its support of private sector infrastructure investment in developing nations to help meet an annual demand for finance of about \$150bn (\$97.4bn) in the sector in the current decade.

Sir William Rhyie, vice president of the World Bank affiliate, said the IFC approved a 65 per cent increase to

\$379m in its own investments in private sector infrastructure in the financial year to June.

The past year's investments in such projects as private power generation, telecommunications, transport and environmental services were concentrated in Latin America and Asia. They amounted to about half the corporation's total infrastructure investment since it was set up in 1956.

Presenting the IFC's annual report, Sir William said it intended to put

about a quarter of its investments into private infrastructure in the years ahead in the expectation that every dollar of investment approved on the IFC's own account would mobilise \$8 from other investors. In the past business year it approved a record \$2.1bn in finance for 185 private sector projects worth a total of \$17bn in 54 developing nations.

However, net income declined to \$142m from \$180m, partly because of reduced returns on its liquid assets as

a result of lower short-term interest rates, and partly because of a drop in income on the loan portfolio due to war and economic uncertainty in the former Yugoslavia and parts of Africa.

The corporation expects to approve investments of about \$3.4bn in the current financial year, up from \$400m in fiscal 1992. Sir William retires at the end of 1993. He will be succeeded by Mr Jannik Lindbaek, president and chief executive of the Nordic Investment Bank.



## Police raid HK group

MORE THAN 100 companies connected with the Allied group of Mr Lee Ming-tee, a Malaysian-born entrepreneur, were raided by Hong Kong's Commercial Crimes Bureau yesterday. The affair has become the colony's most significant corporate crime investigation since the Carrigan group collapse in 1993, writes Simon Davies in Hong Kong.

A government-appointed inspector recently completed a report on five listed companies

connected with Allied, and part of this document is likely to be made public within a week.

There has been no explanation, however, for the involvement of the police. Allied said it was "surprised that this action should be taken after 13 months of investigation during which the group has co-operated fully with the inspector who, with his team, had an office in Allied's building for 10 months".

Disruption will be limited because the SAP held no important cabinet posts and because the original four "angel" parties - the Democrat party, Palang Dharma (Buddhist Force) party, New Aspiration party, and Solidarity - can probably lose only by breaking up a modestly successful partnership.

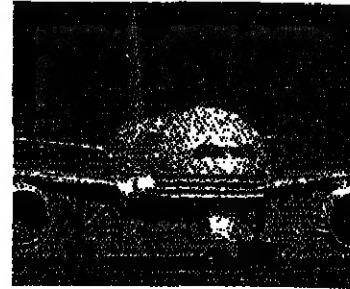
The opposition ranks appear bruised by a proposal from Mr Chatchai Choonhavan, the former prime minister, to create a 90-seat super-party.

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## NEWS: UK

# AT&T agrees transatlantic calls pact with Mercury

By Andrew Adonis

PRESSURE to reduce transatlantic telephone call charges will intensify following a reduction of a quarter in the "wholesale" price of delivering calls carried by AT&T, the US operator, and Mercury, the UK competitor to British Telecom.

The agreement, to take effect next month, intensified the war of words between AT&T and BT. AT&T accused BT of

dragging its feet on concluding a similar deal between the two carriers.

In a speech in London last night, Mr Iain Vallance, BT chairman, strongly attacked AT&T for lobbying for the break-up of BT, the former state-owned utility.

He warned the British government against "pursuing the commercial equivalent of unilateral disarmament" in its attitude to the US giant's ambitions to enter the UK market.

The AT&T/Mercury agreement concerns accounting rates, the price carriers pay each other for delivering international calls to their final destination.

US-UK accounting rates have halved in the past four years. However, AT&T claims that the new agreement with Mercury still leaves its rate at twice the cost of carrying calls, while its existing agreement with BT sets the peak-rate price at nearly three times the actual cost. Mr Tom Luciano,

AT&T's deputy director for international settlements, said: "We are looking for an agreement with BT similar to Mercury's. However, BT's response has been too little and too late."

BT claimed that in May it had proposed a "sizeable reduction" in its accounting rate, and expected to reach agreement with AT&T "soon". But it declined to disclose figures.

Since a majority of US-UK traffic originates in the US,

AT&T has a strong financial interest in driving down accounting rates and destroying the system which has hitherto kept them artificially high.

Its campaign to reduce transatlantic rates has acquired intensity by its growing rivalry with BT.

In the past three months both companies have formed international alliances - BT with MCI, AT&T's principal US competitor.

AT&T has also applied for a government licence to gain direct access to the UK public telecommunications network. The Department of Trade and Industry in London is considering the application.

Mercury welcomed yesterday's deal as "good for customers". The company went on to support AT&T's objective of reducing accounting rates towards costs. It said that prices had already fallen by 40 per cent for large customers in

the last three years, and it said that the new agreement provided the lowest inter-continental accounting rates in the world.

In his speech last night, Mr Vallance called for stronger support from the British government for BT in its quest to become a global company.

"The UK may have given up on the idea of national champions," he said. The trouble is that the rest of the world has not.

## Far right scents victory in London poll

A POSTER campaign against racial attacks will be launched by the Commission for Racial Equality in London today with government, police and local authority support.

While the event takes place, the far-right British National Party will be fighting a few miles away in the East End borough of Tower Hamlets to gain its first council seat.

Should predictions that the party has an outside chance of winning today's by-election prove correct, members of ethnic minority communities say the single good effect might be to join the government, police and local authorities into a more powerful bid for racial harmony than poster campaigns.

The by-election comes in a week which has seen clashes in Tower Hamlets involving Asian youths, BNP supporters and members of far-left groups following a savage attack by a white gang on Quaddus Ali, a 17-year-old

Asian student. Members of ethnic minority communities, mainly Asian, form more than a third of Tower Hamlets' population. The borough, one of the most deprived in Britain, is a particular target for BNP activity. The party contested both parliamentary seats in the general election, and in another council by-election last year on the Isle of Dogs - scene of today's by-election - polled 20 per cent of the vote, well ahead of the Conservatives.

Levels of racial violence and harassment are hard to measure. Not all disputes between black and white people are racially motivated, while many that are do not get reported. Crime survey and police figures indicate, however, that racial attacks have increased in many parts of the country in recent years.

In Newham, which borders Tower Hamlets and has one of London's largest ethnic minority populations - 42 per cent - a long-established monitor-

ing project collects information on incidents of racial violence. Its files contain reports of a three-year-old knocked unconscious by a brick; homes daubed with racist graffiti; knife attacks and arson attempts.

No-one engaging in such activities is likely to be deterred by poster campaigns, and last year the Commission for Racial Equality demanded tougher laws. It wants a specific new offence of racial violence with severe penalties. But some lawyers argue that this would make it more difficult to secure convictions while the government has shown itself reluctant to strengthen existing race relations legislation.

Complaints of rising racial violence are not confined to London. "It is becoming a disgrace to what is supposed to be a civilised society," said Mr Maxie Hayles, director of Birmingham's racial attacks monitoring unit. "We need funding for case workers to work alongside victims of harassment and

attacks, providing long-term support."

Members of ethnic minority communities know that their concerns about racial attacks, and the dangerous influence of far-right political groups, can easily sound exaggerated. Yet Sir Michael Day, the white chairman of the Commission for Racial Equality until earlier this year, left office with a vivid warning that the extreme right in Britain felt events were moving its way. "There is a boldness in the political rhetoric of the extreme right which conveys a wider acceptability of their views," he wrote.

The latest test of that political rhetoric will come in today's Tower Hamlets council by-election. Leaders of the borough's ethnic minority communities hope that, if there is any strengthening of BNP support, the government will lose no time in responding to Sir Michael's warnings with stronger legislation.

Alan Pike

## Lloyd's warned of 'lingering demise' after more losses

By Richard Lapper

SYNDICATES at the Lloyd's of London insurance market are suffering additional losses because of a number of failures by reinsurance companies, Chatset, the company which monitors the results of syndicates at the market, said yesterday.

Up to 40 syndicates have mentioned reinsurance failures as a contributing factor to losses in their accounts for 1990, according to Mr Oliver Carruthers, a Chatset consultant.

Chatset believes that the reinsurers mean that syndicates cannot claim in full on some reinsurance policies they had taken out. It fears this might cost the market as much as £500m.

News of the problem emerged when Chatset presented a gloomy assessment of the market's recent performance and prospects in its annual Lloyd's League Tables.

Following losses of £2.9bn in 1990 and £2.1bn in 1991, Chatset forecasts that Lloyd's will lose a further £1.5bn when it reports results for 1992 and 1993 over the next two years. "For 1992 we believe that another overall loss is inevitable,"

Chatset said. "The future for Lloyd's is bleak," and added that the market faced "a lingering demise, going

down with a whimper rather than a bang as Names are crushed".

Chatset is particularly gloomy about the weight of US asbestos and pollution claims arising on policies underwritten up to 40 years ago.

Lloyd's announced earlier this year that it intended to transfer some of its reserves for claims on all policies underwritten before 1988 into a new reinsurance company called NewCo, in effect "ring-fencing" new investors from these liabilities.

These reserves, which are contained in Lloyd's premium trust fund, amount to several billion pounds, but may need to be topped up because syndicates use different actuarial standards for setting reserves.

Chatset has yet to carry out detailed work but says the shortfall could amount to between £40m and £60m.

"We believe that such a demand on current Names is unfeasible. At best those Names that have traded on will have to utilise their future profits to pay past losses, so we do not see a rosy future for existing Names," said Chatset.

Chatset says the ring fence must be strong enough to allow the Lloyd's policy to survive, but this is going to impose an "intolerable" strain on the old Names.

## 440,000 shop thieves caught last year

By Neil Buckley

SHOP workers and managers apprehended more than 440,000 customers for theft last year, the British Retail Consortium said yesterday. It added that 10,000 shop staff were caught stealing from their employers and that retail staff were the victims of 11,500 incidences of serious violence in the year.

The figures emerged in preliminary findings from a new initiative on crime set up by the consortium, which represents 90 per cent of the UK retail trade. The survey is the first attempt to collect such detailed figures from across the industry.

The 440,000 theft total is more than 50 per cent higher than the total of 288,700 in statistics published by the Home Office because difficulties in bringing successful prosecutions under existing legislation means that many offenders are not referred to the police.

The survey also shows that retailers are spending about £400m on combating crime each year and losing about £175m in burglaries.

The findings will be dis-

cussed today at the first meeting of the Home Office's Retail Action Group, a committee including retailers, police and local authority officials set up to tackle the growing problem of retail crime.

The difficulties faced by retailers were highlighted in June by Mr Stanley Kalms, chairman of the UK's largest electrical retailer Dixons. He said at a conference that shops were being forced to adopt "vigilante tactics" to combat crime. He said crime cost Dixons £20m last year.

A report last month found a quarter of shops in some parts of London had been victims of a robbery or attempted robbery in the past year.

The consortium set up an initiative on crime in June to gather information about the true size of the problem. Initial findings suggest that 150,000 burglaries were committed against retail premises last year, with losses totalling about £175m.

That would account for more than half of the £320m attributed to all commercial burglaries in Home Office statistics on crime.

## East End watches history repeating itself

Jim Kelly outlines a long saga of poverty and racism

FOR centuries London's East End has been the gateway to Britain for immigrants in search of wealth, refuge, or simply a fresh beginning. Life on its crowded streets has, predictably, been marked by discrimination and racial violence.

The area forms what was the "east end" of the original medieval London and today lies within sight of the banks and offices of the financial district of the City. Significantly, it lay outside the jurisdiction of the medieval commercial guilds.

Here in the East End, close to the docks where most immigrants arrived, newcomers could trade freely, close to the thriving and expanding capital, and enjoy the religious liberty so rare elsewhere in Europe. There were jobs to be had in sweatshops, on the streets, and in the docks.

The image of the district is infamous. For most the East End is the home of the Cockney accent, of Jack the Ripper and the Whitechapel Murders of 1888, of Oliver Twist and Fagin, of low life and poverty relieved by grim humour and extraordinary economic vitality.

Many immigrants brought special skills to the East End. In the 1650s the Jews, expelled in 1290, were allowed to return by Oliver Cromwell and settled in Whitechapel. French Protestants, fleeing the persecution which followed the Revocation of the Edict of Nantes in 1685, came to Spitalfields and brought the silk industry with them.

The British Empire brought immigrants back to London in its ships. The late 18th century saw the Chinese coming to Limehouse, having arrived via the East India Company. Indians, often



The bustle of London's East End just beyond the boundary of the City masks the atmosphere of alarm engendered by recent racist violence. Right: Sir Oswald Mosley, leader of the British Union of Fascists, marching through the East End in 1936

working as servants to colonial families, began to arrive along with Afro-Caribbean migrants travelling with traders and plantation owners. Many were slaves until abolition in 1807.

Ireland's Great Famine of the 1840s brought thousands to London, many of them ending up living in the "rookeries", or tenements, of Whitechapel. The assassination of Tsar Alexander II of Russia in 1881 brought Jews fleeing the resulting pogroms to the East End, supposedly en route for America. But many stayed.

The arrival of anarchists and dissident nationalists from the Russian Empire at the turn of the century brought the East End one of its periodic explosions of violence. The Siege of Sidney Street saw home secretary Winston Churchill having to deploy the police force and the guard of the Tower of London on to the streets to restore order.

The 1930s and the rise of fascism saw the East End again embroiled when Oswald Mosley's blackshirts clashed at the barricades with leftwing supporters and local residents in the 1936 Cable Street riot.

The second world war changed the East End fundamentally, and many would say, not all for the better. London was under aerial attack for six years and the East End, close to the docks, was severely hit.

Its redevelopment after war, and the building of the nearby Docklands office complex in the late 1980s, have brought improvements in housing and transport.

Many Cockneys left the East End in the 1950s and 1960s as fresh migration began from the West Indies and the Indian sub-continent. New towns, such as Harlow in Essex, took

them out into the country to new jobs and homes. Successive waves of migrants have moved on to the capital's suburbs or to the cities of the Midlands.

But the East End has remained. Its character, and particularly its poverty, have survived the boom years of the 1980s when many Victorian and Georgian streets were "gentrified" by those working in the City of London. Today many of its streets still recall the 19th century rather than the 20th, and its social problems are again making headlines.

## Executive pay near lowest in Europe

By David Goodhart, Labour Editor

UK EXECUTIVES are still among the lowest paid in Europe in terms of gross, net, and cost-of-living adjusted pay according to the latest report by pay analysts PE International. They say there has been little change since last year.

Swiss, Austrian, Spanish and French executives are the top four in both gross pay and purchasing power.

Overall, says the survey, it is best to be a managing director in Spain, a finance director in Switzerland and a sales manager in France.

The report, which finds that executive pay practices are slowly converging across Europe, places the British managing director in tenth place (out of 12) on gross pay of £107,417. Only the Republic of Ireland and the Netherlands were lower. After tax the British managing director earned

£84,342 and moved up to eighth place ahead of Belgium and Denmark.

The payment of a 13th and 14th month's salary is common in all countries except Ireland and the UK. But there is a growing interest in all countries in more variable pay with 50 per cent of UK executives receiving cash bonuses worth between 8 per cent and 17 per cent of basic salary. Company cars are no longer the preserve of British executives.

Over the last five years the UK executive has consistently trailed most of the rest of Europe in terms of both gross pay and purchasing power. As top marginal tax rates converge the advantage of low taxation in the UK and Portugal is likely to be eroded, concludes the report.

Remuneration in Europe available from: The PE Centre for Management Research, Park House, Wick Road, Egham Surrey, TW20 0EW.

## Imported trucks and vans raise market shares

By John Griffiths

IMPORTS took a sharply increased share of the growing UK commercial vehicle market last month, the Society of Motor Manufacturers and Traders reported yesterday. Imports accounted for 44.87 per cent of sales last month compared with 40.81 per cent in August last year. They took 40.78 per cent of the market in

the first eight months of the year compared with 35.86 per cent in the corresponding months a year before.

The small vans sector faces a sharply increased challenge from Renault, whose UK sales last month were 72 per cent higher than in August last year. Renault van sales throughout the first eight months of this year were 35 per cent up on the corresponding

period of 1992. The main casualty has been Rover, the British Aerospace offshoot in which Honda has a stake.

The society said the recovery was well under way in the truck industry. UK sales of trucks over 3.5 tonnes jumped by 19.8 per cent last month to 4,910 compared with August last year. Total truck sales for the first eight months of this year were 22,392 against last

year's 20,633 for the first eight months.

The Iveco Ford group has strengthened its hold on the truck sector, and its share of the UK market rose to 25.9 per cent last month against 17.96 per cent for the once market-leading Leyland DAF.

Overall, 31,085 commercial vehicles were sold last month, a drop of only 1.96 per cent on August last year.

## Mother wins case over RAF dismissal

By Robert Rice, Legal Correspondent

A FORMER medical assistant dismissed from the Royal Air Force in 1988 after she became pregnant yesterday accepted £22,000 in damages from the Ministry of Defence in an out-of-court settlement.

The claim brought by Miss Jacqui Thornber, a single mother aged 33 from Leicester, is seen as a test case for up to 4,000 servicewomen dismissed

after becoming pregnant. The MoD could now face claims running into millions of pounds.

The settlement was reached during an industrial tribunal hearing in Croydon, south London to set the level of damages. The MoD had admitted unlawful sex discrimination, but disputed the level of compensation she was entitled to.

MoD policy in 1985 was to discharge servicewomen who became pregnant, but it had

accepted that this policy was unlawful in an earlier test case in the High Court in 1990.

Miss Thornber's fight for compensation was aided by a recent decision of the European Court of Justice that Britain's statutory £11,000 ceiling on tribunal awards was unlawful.

The Luxembourg court ruled in August that people who have suffered sex discrimination must be compensated in full for loss and damage actu-

ally suffered even if that meant exceeding the ceiling.

Miss Thornber is now on income support and in the final year of a science degree course in information and library studies.

A second case involving a former aerospace systems operator from Rumburgh is due to be heard on October 8. Mrs Deborah Miller 28, is claiming £54,000 plus interest after rejecting an MoD offer of £3,688.

### Britain in brief



### UK to defer retaliation on unitary tax

The UK is to defer retaliatory action against US companies operating in Britain following California's decision to pass legislation allowing foreign companies to opt out of its unitary tax system.

Mr Kenneth Clarke, chancellor of the exchequer, said the move by the California State Legislature was welcome but it did not provide a complete solution to the problems of the state's tax laws.

Mr Clarke said that, for a complete solution, it was necessary to have the internationally accepted "arm's length" principle of taxation endorsed on a permanent basis by the US Supreme Court in the case being brought by Barclays Bank.

### US bill opposes Thorp start

US members of Congress have introduced a bill opposing the start-up of the UK's Thermal Oxide Reprocessing Plant and calling on President Bill Clinton to raise the issue with the British government.

"Thorp is a direct threat to international security, bringing an additional 50 tons of plutonium into circulation over the next ten years," said Mr Pete Stark, a California Democrat. The move follows a non-binding vote by the House of Representatives calling for the suspension of plutonium processing worldwide.

### Lamont attack

Mr Norman Lamont, the former chancellor, has dealt a calculated blow to Mr John Major's hold on Downing Street by endorsing rightwing opposition to tax increases and questioning the prime minister's leadership.

Mr Lamont, who was sacked in May, also threatened the prime minister to rule out British participation in European monetary union. His intervention will encourage rightwing Conservative critics of Mr Major to trigger a leadership challenge later this year.

### Pay bill static

The pay bill in manufacturing industry has not grown at all this year and British manufacturing is heading for a reduction in unit labour costs in 1993 for the first time since 1960, the Confederation of British Industry said. The CBI added that the recovery was not bringing a bounce-back in manufacturing pay and pay freezes remain common.

### The England selectors

announced the team to tour the West Indies this winter. M Atherton Lancashire A Caddick Somerset A Jones Middlesex G Hick Worcestershire N Hussain Essex A Igglesden Kent C Lewis Nottinghamshire D Malcolm Derbyshire M Maynard Glamorgan M Ramprakash Middlesex J Russell Gloucestershire I Salisbury Sussex R Smith Hampshire G Thorpe Surrey P Tufnell Middlesex S Watkin Glamorgan

## TV channel may be 'too American'

By Andrew Hill in Brussels

THE European Commission is worried that a new satellite television channel, due to start broadcasting into the UK tomorrow, may be too American.

The Commission has written to Mr Peter Brooke, the UK national heritage secretary, to find out whether TNT & Cartoon Network will broadcast enough European programmes to meet EC requirements.

The Commission's inquiry is linked to French concerns about the growing number of US-made programmes and films being screened in Europe.

However, a spokesman for Mr Joao de Deus Pinheiro, the EC's audiovisual commissioner, said yesterday that the letter had been written on the Commission's own initiative and was not prompted by French complaints. The UK government has 15 days to reply.

TNT & Cartoon Network belongs to Turner Broadcasting System, owner of the CNN news organisation, and is one of several new satellite channels which will begin transmission in the UK tomorrow. It will be devoted to classic cartoons, such as Bugs Bunny and The Flintstones, as well as Hollywood films.

The Commission said it was concerned that the channel might not broadcast a majority of European works as required under the 1989 EC directive which opened up cross-border satellite broadcasting in the EC.

France has threatened to oppose any attempt by the US to extend the Gatt world trade agreement to cover cinema, which it fears would increase the dominance of US films in Europe. The French audiovisual authorities have already refused permission for French cable operators to broadcast the TNT & Cartoon Network.



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Chrysler Viper RT 10

**"The king of all off-road vehicles...room, style and comfort of a limousine."**—*Auto Motor und Sport*

## Cherokee

Jeep Cherokee

**(Once you've seen the remarkable new Chrysler Vision  
you'll be able to fill in this blank yourself.)**  
“ \_\_\_\_\_ ”



CHRYSLER  
INTERNATIONAL

## Chrysler Vision

If you'd like some professional examples to guide you, they do exist. *Le Figaro* says that the Vision is "a 'tour de force' from Chrysler's designers." *Auto Bild* simply calls it "one of the best cars in the world."

Their enthusiasm is understandable. With its new cab forward design, the Vision combines the nimbleness of a sports sedan, the roominess of a touring car and the safety of driver and front passenger air bags. We

think that the Vision is the perfect addition to Chrysler's family of distinctive vehicles. And clearly, we're not the only ones who think so.



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## MANAGEMENT: MARKETING AND ADVERTISING

US companies are bidding for the custom of twenty-somethings and teenagers, writes Martin Dickson

## Hey, young spender

**Y**ou are the US manufacturer of a product with an old-fashioned image. Teenagers and people in their twenties do not want to "check it out". It is not cool. It is the antithesis of radical. How do you change their perceptions?

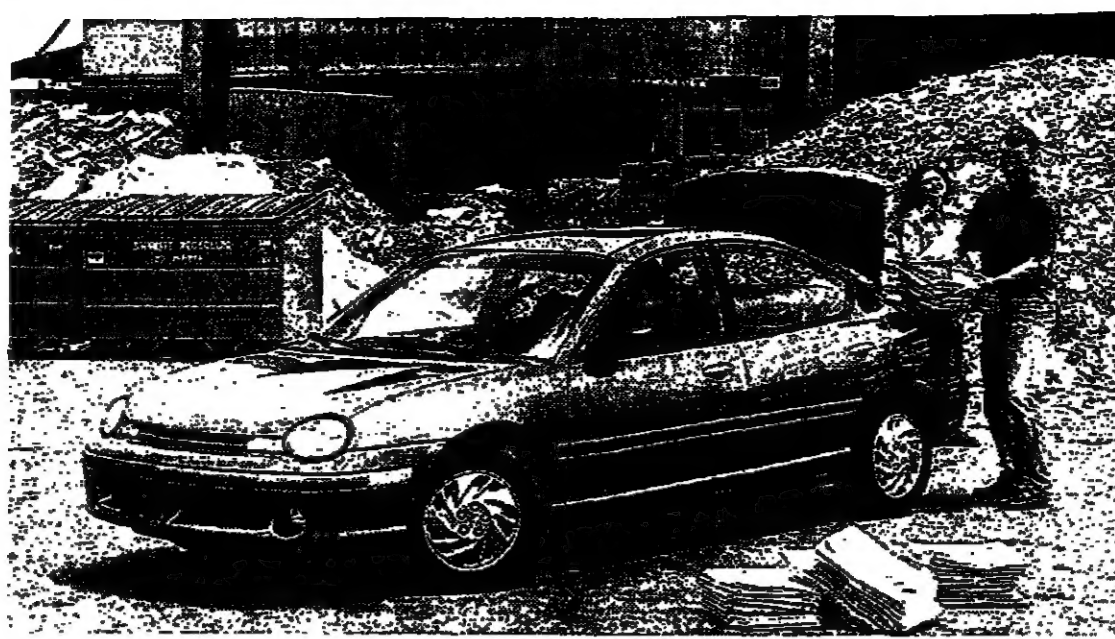
This problem, common to many businesses, was addressed by two US companies last week when they announced significant changes in image.

Chrysler, the car maker which until recently came over as rather stodgy, unveiled a small car, called the Neon, which it will introduce to the US market in January. The Neon will be aimed directly at the group of consumers dubbed Generation X or the "baby busters" by the marketing industry - young adults between the ages of 18 and 30.

Procter & Gamble, the consumer products company, announced a relaunch of Old Spice, which is America's best-selling men's after-shave but suffers from an image problem: young men think of it as something found in their father's bathroom cabinet - one of the least hip places on earth. P&G aims to eradicate such negative connotations.

Generation X is notorious in the marketing industry for being hard to sell to. Its members, many of whom have suffered long periods of unemployment, are supposed to be cynical, iconoclastic, unresponsive to traditional advertising techniques and lacking in brand loyalty. However, after extensive market research into the views of the age group, Chrysler has come up with a more positive interpretation. The company believes it is a generation which seeks "simplicity, integrity, substance and genuineness in its lifestyles." It is environmentally conscious and has far less desire for show and materialism than the baby boomers who preceded it. It has very high product expectations and is open to new suppliers, if they can deliver the best quality.

In the 1980s Chrysler had a reputation for producing dull, boxy cars and, in common with the rest of the Detroit motor industry, it lost many baby boomers, now in their 30s and 40s, to Japanese rivals. Over the past 12 months, Chrysler has started winning back market share in the family-sized car market, thanks to a series of new vehicles of startlingly different design. The Neon is its attempt to carry this



Chrysler's new "huggable" Neon car with its bug-eyed headlights is aimed at the "baby buster" generation

momentum into the crowded small-car market, where buyers between the ages of 24 and 30 account for roughly 50 per cent of US sales.

Chrysler is keeping its advertising ideas secret, but recent US campaigns by rival car companies targeting Generation X have used off-beat humour and rock music, together with claims that their vehicles are less boring than other cars and better value for money. Chrysler seems likely to reiterate many of these themes.

Chrysler's publicity machine is presenting the Neon as stylish, low-cost, roomy, fast-accelerating and environmentally friendly. (It is at least 85 per cent recyclable). With its big bug-eyed headlights and a bubble-shaped top, the car is "huggable," maintains the company.

That is a quality to which Old Spice might also lay claim. Its TV

advertisements have long featured the "mariner man" - a whistling sailor with a magnetic power over women. He would toss a bottle of Old Spice to some poor land-lubber unable to attract the ladies.

Old Spice has had a nautical theme ever since the line was introduced in the 1930s. A logo of a classic clipper ship graces its packaging and bottle. P&G, which acquired the brand three years ago, is updating the image by getting rid of the mariner and replacing the clipper logo with a racing yacht. It is coupling this with the launch of two products aimed at young men.

Its research found many young men do not like the burning sensation of traditional after-shaves. This stinging is produced by the alcohol used as an antiseptic against shaving cuts. However, modern razor technology means fewer facial nicks

and thus little need for the alcohol. P&G is introducing an alcohol-free after-shave, and a long-lasting "high endurance" deodorant, both targeted at the under 30s. The TV advertisement for the deodorant shows a young man winning a cycle race and being embraced by his admiring woman. The only nautical reference is a short shot of a large, breaking wave at the end of the advertisement.

Old Spice is changing its image by sponsoring sports, notably beach volleyball, a fast-growing televised game in the US, featuring like athletes clad in swimming costumes and dark glasses.

Jon Hall, the brand's associate advertising manager, claims none of this is alienating Old Spice's older users, since "we have retained the features that they identify with the mariner man." Perhaps.

numbers 22 and 24 respectively. Surprising, says Mills, because they are "large multinational client-based" agencies. Such agencies "largely don't produce award-winning work, but they've turned out to be more creative than people think," he says.

The multinational client is more likely to produce advertising by committee and to be conservative, says Mills. If your advertisement is aimed at the dull old "housewife buyer" of, for example, washing powders or fish fingers, you are less likely to be able to collect a creative award. More promising territory is "the bright youth market or the thirty-somethings who are ad literate and sophisticated," says Mills.

Diane Summers

## In a league of their own

**C**ampaign, the British advertising industry's weekly publication, celebrates its 25th anniversary this week. It has been digging into its archives and tomorrow publishes a league table of the top creative agencies. Ranking is based on how many awards agencies have collected over the years.

Saatchi and Saatchi heads the list (current work includes British Airways and Silk Cut). Next are: Collett Dickinson Pearce (Benson and Hedges, Parker pens); Boase Massimi Pollitt (VW, Heinz); and Abbott Mead Vickers (Volvo and Sainsbury's). The full list of 25 includes some agencies which are no longer on the scene.

But how meaningful is it to rank agencies according to the prizes

the industry awards itself? The answer, as far as the agencies are concerned, is that who wins which award is of consuming interest. The rest of the world would probably be unwise to use awards as a basis for measuring anything.

Dominic Mills, Campaign editor, says an award-winning campaign has: originality; relevance to the product and target market; impact; and wit.

Some clients do enjoy working with prizewinners, but the main rewards seem to be enhanced internal morale and increased opportunity to draw in creative talent from outside.

The competitions that Campaign has tracked include the Cannes awards, advertising's equivalent of the film festival, the Designers' and Art Directors' competition and Campaign's press and poster awards. All the competitions measure creativity, rather than effectiveness. Mills says there are "a hundred and one reasons why it's very difficult to measure effectiveness. For example, brilliant advertising can be ruined by poor distribution or uncompetitive pricing."

Nevertheless, an attempt is made every two years by the Institute of Practitioners in Advertising

to measure and reward effectiveness, with "agencies producing lengthy papers to prove their point," says Mills.

The IPA competition was not included by Campaign when it came to compiling its league table, but there is some overlap, he says. Strong performers on both counts, according to Mills are Boase Massimi Pollitt, Abbott Mead Vickers and Bartle Bogle Hegarty. There may have been no shocks at the top of the league table, but Mills says it was a "little surprising" to see D'Arcy Masius Benton and Bowles, and Skill Price Lintas featuring further down at

numbers 22 and 24 respectively. Surprising, says Mills, because they are "large multinational client-based" agencies. Such agencies "largely don't produce award-winning work, but they've turned out to be more creative than people think," he says.

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Diane Summers

## Breathing Liffe into equity options

Antonia Sharpe on how to revive interest in an established product

**H**ow do you increase sales of a product which has been around for years and which has failed to do as well as other, competing brands?

Manufacturers of washing-up liquid or soap powder can quickly reach millions of potential buyers with television or radio commercials. But these forms of advertising are uneconomic and inappropriate for products which are very specialised and only appeal to a small audience.

This is the challenge facing Liffe, London's financial futures and options exchange, which is trying to stimulate new interest in equity options after inheriting the product last year through its merger with London's traded options market.

Equity options - which give holders the right, but not the obligation, to buy or sell at a fixed price - started trading on the London Stock Exchange in 1978. In spite of the deregulation of the securities industry in the 1980s and the wide ownership of shares in the UK, however, they failed to attract enough interest to justify their own trading floor.

By contrast, equity options have been far more successful in continental Europe and in Scandinavia, where the level of investment in shares is relatively low. Liffe, which is the largest financial futures and options exchange outside Chicago, believes it should be able to bring the UK level closer to those of the Continent and Scandinavia.

One of the first things Liffe discovered from its market research was that in the US and in the Netherlands, it is the retail investor, and not the institutional client, who is responsible for about 70 per cent of trading volume in these instruments.

In the UK, the situation is the reverse, with private investors estimated to contribute less than 20 per cent of total equity and index option volume.

Developing this retail segment is essential if trading in equity options is to grow substantially, says Karin Forske, in charge of equity products at Liffe.

She has taken steps to make equity options more accessible to

the public. Prices of individual equity options are now available on the BBC's teletext facility, Ceefax. In the first week of transmission, Liffe received 1,500 telephone calls about equity options.

Retail investors were also given priority when Liffe conducted a review of individual equity options. The Exchange dropped four existing options and introduced eight new ones, leaving 70 equity options which better reflect the composition of retail and institutional portfolio holdings.

Liffe has also introduced monthly seminars for private clients and has published booklets on how to use equity options. It is also improving its technology to facilitate trading.

With these changes in place, Forske and her colleagues have been visiting private-client stockbrokers in London and the provinces to encourage them, and their clients, to trade in equity options.

The programme is being extended to the big financial institutions, to persuade them to use equity options to enhance the performance of their funds. Liffe does not expect investors, large and small, to change their habits overnight, but aims to double trading volume of equity options within two years. Currently, just over 1m contracts (a contract specifies the quantity of the item and the time of delivery or payment) are traded each quarter.

Trading in equity options reached a high of 3.1m contracts in the second quarter of 1992, just before the global stock market crash which occurred that October.

While a volume-based target is probably the most widely perceived measure of success, Forske believes that other goals are equally important.

These range from a substantial increase in the use of equity options by institutional and private clients, to increased liquidity in individual equity options.

If these goals are not met by the summer of 1996, is that the end of equity options in the UK? No, says Forske. Liffe will have to find other ways to make equity options realise their potential.



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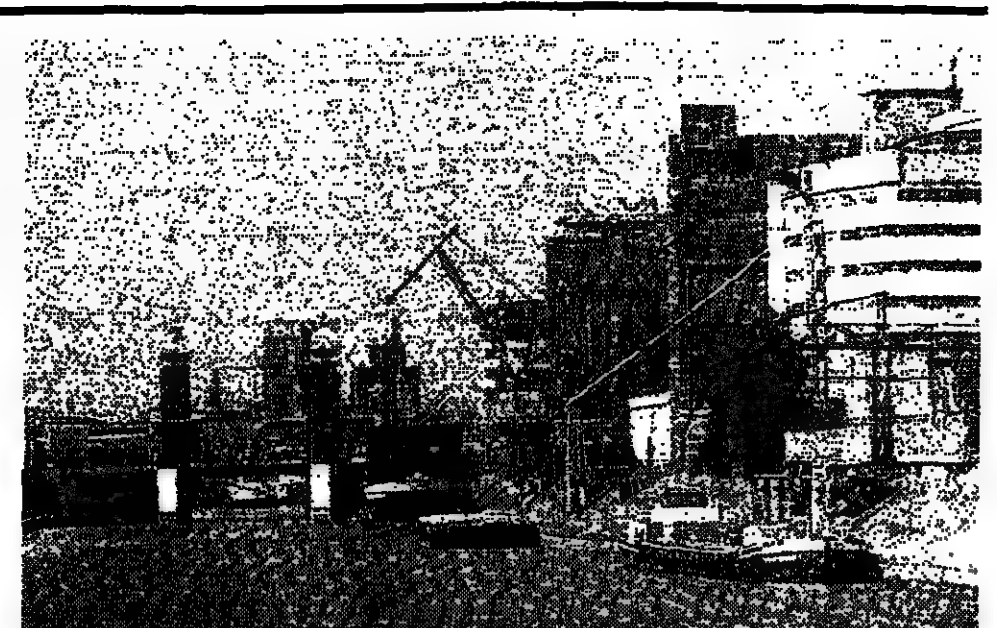
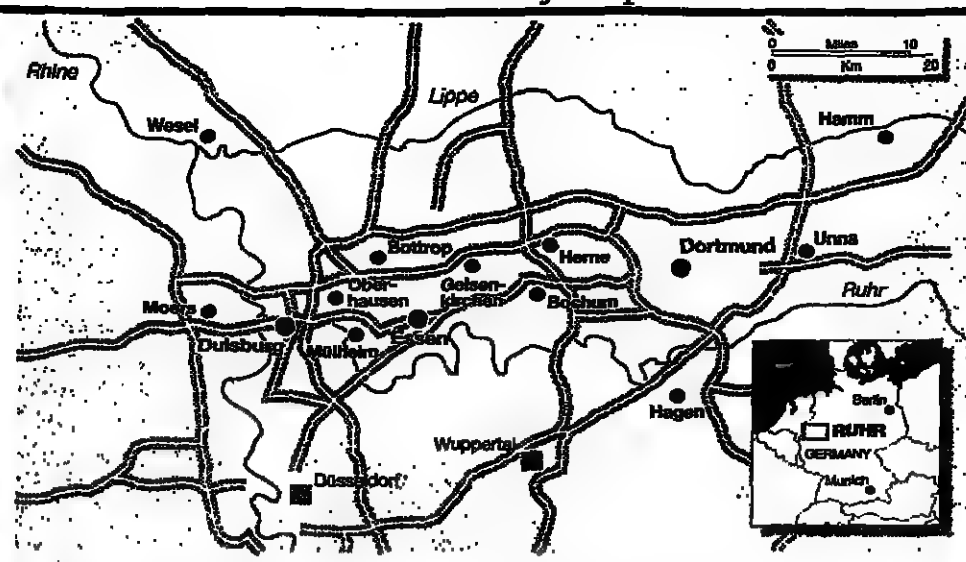
VERMONT FALLS

A SHOCK BUDGET  
FROM THE



# RELAUNCHING THE RUHR

Thursday September 16 1993



The Ruhr - a region in transition in the heart of northern Europe. Duisburg harbour (right), is claimed to be world's largest inland port. Pictured left: new welding techniques being demonstrated at a trade fair in Essen. The Ruhr still accounts for 27 per cent of the EC's coal output and 16 per cent of crude steel production.

## Innovation in Germany's industrial heartland

Planners are diversifying away from traditional heavy industries, such as coal and steel, reports Quentin Peel

SIX years ago, in the winter of 1987, the steelworkers of the mighty Krupp industrial empire took to the streets of the Ruhr region to protest against the planned closure of their steel plant at Rheinhausen.

For them, the proposed closure of that 100-year-old integrated steelworks was the last straw in three decades of decline in the traditional industries which had made the Ruhr the cradle of Germany's industrial revolution.

It was a protest which sparked a nationwide response. The steelworkers and coalminers of the Ruhr held a candlelit vigil which stretched from Duisburg to Dortmund, from west to east of the region which remains the greatest industrial agglomeration in Germany.

The protest marked a turning point for the region. Sympathy and support poured in. Not merely the politicians, but the business community was galvanised into action. Krupp reversed its decision to close Rheinhausen, and 2,000 jobs were saved.

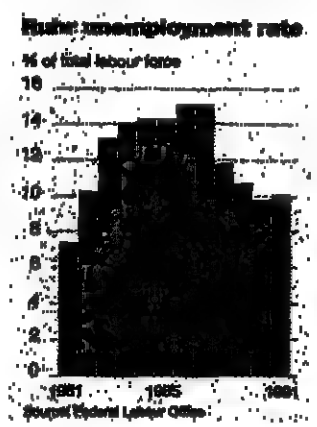
This year, the steel crisis has struck again, and the plant at Rheinhausen has closed for good. And yet this time round, the protests have been half-hearted, and the national sym-

pathy decidedly muted. The mood on the Ruhr has changed.

One reason may be sheer exhaustion. The inevitability of a radical restructuring of Germany's steel industry, efficient though it is in west European terms, has finally percolated through to the labour force. There is also a realisation that in the depths of a national recession, and with the huge burden of rebuilding a united Germany weighing on the public purse, the Ruhrgebiet is on its own.

Another reason is more hopeful: the experience of the past six years has shown that there is another alternative for the Ruhr to its traditional industries. Not only are new industries springing up in place of the old, such as environmental enterprises created to clean up the damage of the past, but the coal and steel giants are themselves diversifying.

There is a new mood of determination to prove that the Ruhr valley, the last and most modern of Europe's



Ruhr industrial landscape: the race is on to promote new technologies and intensive manpower training

programme, covering 17 towns and 2m people, to transform the most depressed part of the region into a place worth living and working in.

Perhaps it was more good fortune than design, but the launch of those initiatives coincided with a turning point in the local economy.

Unemployment, which had been rising steadily in the region from a low point of less than one per cent in 1970, peaked at more than 15 per cent in 1987 and 1988. Since then it has slowly declined, although it still remains over 11 per cent, well above the national average.

The net emigration of the population also ceased, and a new inflow of immigrants - mostly German-speakers returning from eastern Europe - reversed the trend. New jobs were being created fast enough not only to reduce unemployment, but to absorb new market entrants, too. Between 1985 and 1988, total employment in the region fell from 2.87m to 1.82m.

From 1986 to 1991, 237,500 net

new jobs were created.

That is not to say the challenge is not huge. In the past 30 years, the region has lost more than 100,000 steel jobs, and some 240,000 in the coal mines alone. Latest forecasts by the RWI economic research institute in Essen suggest that 50,000 more will be lost by the steel industry in the coming years.

Coal mining production has tumbled from 115.4m tonnes in 1980 to barely 50m tonnes today. That level of production still depends on massive state subsidies, through the so-called "coal penny" imposed on household electricity bills. The whole basis of the subsidy system is under review, with pressure from Brussels to phase it out rapidly.

On top of that threat, the competition for new investment from the former east Germany has been intense. And yet the promoters of the region are remarkably sanguine.

"We won't have much chance this year and next to attract new investments, because most enterprises have spare capacity," says Mr Gerd Fröhlich, chief executive of the Enschel-Lippe agency, responsible for promoting the north of the region, the real heart

Continued on next page

### Introducing the German bank that gives you greater scope in international finance: WestLB.



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### Initiatives for Ideas



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One thing is certain - the Ruhr is one of the up-and-coming regions in the Europe of the '90s. Wherever you look, the transformation is in full swing. From coal and steel to environment technology and services, from a grey industrial landscape to a colourful cultural one.

The people in the Ruhr are working hard at it, in their matter-of-fact and reliable way, flexible but with roots firmly in their native soil. The Initiativkreis Ruhrgebiet and its 64 German and European member companies are proud of the Ruhr and their contribution to its development. The Initiativkreis Ruhrgebiet promotes economic structural change and enables major events to take place here in the fields of sport, science and culture.

For example:

- The Nations Cup on Ice, the NOKIA Ladies' Tennis Grand Prix, the 1993 World Fencing Championships, the 1994 World Gymnastics Championships
- The „Nobel Prize Winners in the Ruhr District“ lecture series, the congress on „Culture and Technology in the 21st Century“, the international symposium on „People - Transport - Environment“ (IFF 93)
- The Annual Ruhr Piano Festival, the Dance World Festival, the promotion of „young art“, the „China's Golden Age“ exhibition, the World Music Days 1995

Initiatives which put life into our motto „The Ruhr region unites to shape its own future“. Find out for yourself. Ask for our calendar of events.

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**INITIATIVKREIS RUHRGEBIET**  
WIR AN DER RUHR - GEMEINSAM NACH VORN



## RELAUNCHING THE RUHR 2

Ruhr Valley becomes a world centre for developing environmental technologies

## Industrial clean-up on a grand scale

WITH 2,300 enterprises involved in environmental technologies, the state of North Rhine-Westphalia is home to 25 per cent of all German companies working in this sector. Two-thirds of these businesses are located in the Ruhr itself – and a third of them were launched within the last 10 years.

For Mr Klaus Matthiesen, environment minister for North Rhine-Westphalia, this development is a good indication of the way Ruhr industry is being restructured.

"Our concern for the environment is a major factor in creating new jobs," he says. More than 150,000 people now work in environment-related industries.

The Ruhr has proved to be a leading area for companies wanting to diversify into environmental technology. According to Mr Matthiesen, DM6bn will have been invested by 4,500 companies in the region to meet environmental air standards alone, between 1990 and 1994.

This follows DM13bn invested in clean air technology between 1983 and 1989 when the level of dioxide emissions in the region was cut by 80 per cent.

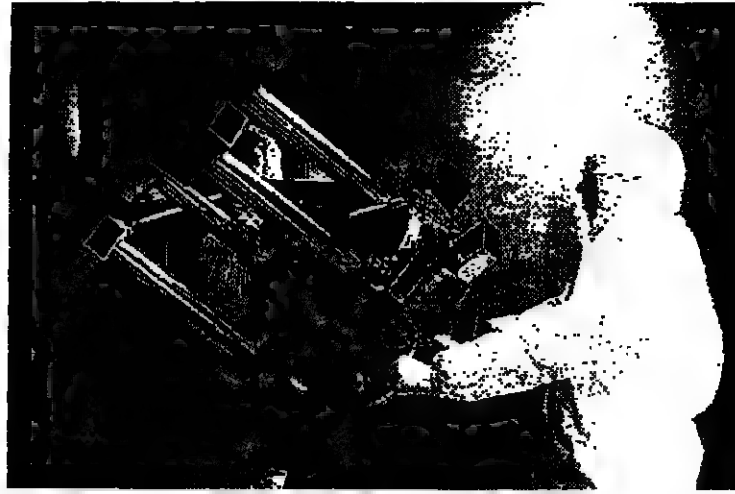
With three times the population density of other German states and the largest concentration of heavy industries in Europe, North Rhine-Westphalia has been at the fore-

front new environmental standards in Germany.

Much remains to be done to make the Ruhr a clean place, however. There are still 3,500 abandoned industrial sites which are thought to be polluted. But great progress has been achieved over the last 20 years – "the bulk of the cleaning-up in the Ruhr is done," says Mr Matthiesen. "The market created by strict environmental standards has fostered an industry which, today, is at the leading edge of environmental technology."

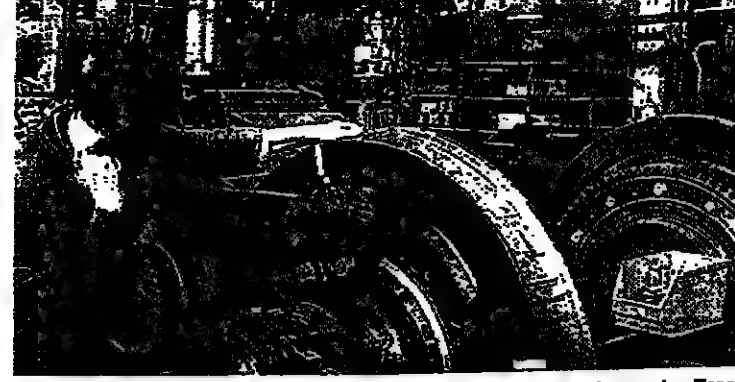
"Efforts are now focussed on pollution prevention, rather than just repairing past damage."

Investment in clean-up projects reached a peak in 1987-88. Companies in the region anticipate big opportunities for exporting environmental equipment and services. The Ruhr is home to some of the largest names in the business, including Thyssen, Babcock and Steinhilber. Thyssen, for example, achieved sales of nearly DM2bn in 1991-1992 with products and services for reducing pollutants. Its subsidiary,



Thyssen Engineering, makes equipment for desulphurisation and the removal of nitrogen in power plants and garbage incinerators. Thyssen Sonnenberg has been active in recycling activities, including the running of one of the largest shredder plants for scrap metal in Germany. Babcock has also been a leading player in the sector for 25 years, having installed dozens of waste incineration plants across the country. Meanwhile, new projects are under way which will

strengthen the Ruhr as a leading centre for environmental technology. For example, in Duisburg, in the heart of the region, RWE, the German power group, plans to build one of Europe's largest waste-recycling plants. Construction begins



Old and new technologies: heavy engineering work at Krupp's engine works, Essen, contrasts with advanced powder metallurgy (right) at a modern Krupp plant. The Ruhr's industrial importance dates from the early 19th century when the Krupp and Thyssen companies started large-scale steel production and coal mining. In recent years, stringent environmental regulations have been enforced in the region.

Germany. The project aims to take advantage of strict "green laws" being considered by the government to force manufacturers of consumer goods to recycle most of their waste products.

Clearly, this type of project is an important boost for regional sub-contractors. According to Mr Michael Stock, technical director, at least 48 per cent of the investment goes to German companies while the rest is handled by foreign enterprises. However, these highly-automated plants provide relatively few jobs in the Ruhr. The entire plant will employ less than 200 people.

"Structural changes in the Ruhr won't solve the problem of unemployment from former heavy industries," says Mr Matthiesen. "The jobs lost in the steel mills and coal mines will not be replaced by companies producing environmental technology."

According to a study by the West-deutsche Landesbank, more than half of the environment-related companies employ less than 100 people – and 86 per cent of them have less than 500 workers.

For Mr Matthiesen believes it is important that tax advantages – begun in the 1970s – are re-introduced for companies investing in cleaner industrial environments.

Ariane Genillard

## THE COAL INDUSTRY

## Diversifying into new areas



Coal power station at the Rhein-Herne Kanal at night

BAD news is not new at Ruhrkohle. Producing 80 per cent of Germany's hard coal output, the state-subsidised company has had to cope in the last three years with the twin problems of domestic recession and empty state coffers.

Declining industrial orders from steel mills and a slowdown in electricity consumption have sparked a political debate which could revise the company's planned output level and which threatens to accelerate the coal mine closures.

Under the restructuring plan, 12,000 jobs are due to go within the next two years. But job cuts could double, accord-

ing to the company's estimates, as a result of falling output in the steel industry, plus calls in Bonn for a cut in state subsidies to support the Ruhr coal production.

However, a bright spot can be found in Ruhrkohle's attempts to prove itself as a viable competitor in non-coal areas. While 98 per cent of Ruhrkohle's turnover came from coal mining 20 years ago, the company has diversified – 39 per cent of its business is now in environmental technology, trading, power engineering and construction.

Steag, its largest non-coal subsidiary, operates power plants for district heating and offers related environmental and engineering services, and has seen profits rise in the last three years. Steag employs 4,500 people and had a turnover of DM3.6bn last year.

Engineering services offered by Steag have been particularly profitable, rising by 13 per cent last year to DM48m. Waste management for power plants also increased by 15 per cent in 1992 to DM102m.

Steag has also made advances in ventilation and clean-air technology. Following aggressive marketing abroad, especially in the US and Asia, orders for these divisions increased last year by 23 per cent and turnover rose by 48 per cent.

Growth is also under way for Ruhrkohle Umwelt which specialises in waste management. The subsidiary, with 1,500 employees, reported a turnover

of DM625m last year, profits for the four-year-old company were DM14m.

Ruhrkohle's turnover this year is expected to reach DM900m as the company increases its stakes to majority ownership in the Richard Buchen company, which specialises in waste disposal and Weber Umwelttechnik, a Baden-Württemberg waste management company. Ruhrkohle Umwelt also plans to invest DM400m in new plants.

A significant investment will go toward developing a recycling plant for plastics in Bottrop, which involves energy recovery for a oil refinery run by Veba, the large Düsseldorf-based power group. There, Ruhrkohle Umwelt intends to tap into the lively growth area of plastic recycling, for which Germany has the highest quotas in Europe.

Plans include increasing plastic recycling capacity from 12,000 to 40,000 tonnes. With more than a million tonnes of plastic waste produced each year in Germany, officials at Ruhrkohle Umwelt are confident about the returns on such an investment.

Another growth area for Ruhrkohle Umwelt lies in the cleaning up of contaminated sites. Last year, it cleaned up more than 50,000 tonnes of contaminated soil; and abroad, it is researching ways to clean-up war-damaged areas of Kuwait.

Meanwhile, with Ruhrkohle's traditional coal business facing increased difficulties, the company's newer

non-coal subsidiaries are setting their sights on potential markets in eastern Germany.

Steag, for instance, is involved in supplying district heating in the town of Zwickau where it is collaborating with RWE and Bayernwerk, two of the largest west German utility groups. Steag will also modernise power supplies in the town of Leuna where it is building a gas and steam turbine co-generation plant.

Similarly, Ruhrkohle has positioned its environmental subsidiaries to become a key player in eastern parts of the country. There, Ruhrkohle Umwelt plans to increase its turnover from DM70m to DM90m. It is also participating

in the biggest clean-up operation for the region's brown coal fields.

But the bright prospects of Ruhrkohle's non-coal subsidiaries have been dampened by the plight of Germany's coal industry.

While sales in non-coal operations are expanding, this success is not in labour-intensive areas which could offset job losses in the coal business. Moreover, growth is also taking place mainly outside the Ruhr region.

A three-year-old subsidiary of Ruhrkohle now offers vocational training for 8,000 employees a year, of whom 3,500 are workers involved in projects in eastern Germany.

These schemes, however, are of little help to the 12,000 workers which are due to leave the company by the end of 1995. The diversification of the company provides relatively small compensation for the problems in the coal sector, which

remains its core business. Ruhrkohle had further bad news from the steel sector this summer. The company is now negotiating with leading German steelmakers who want to renege on a contract to buy coke and coking coal from Ruhrkohle until the year 2000.

The contract was originally devised as a lifeline for the company, whose subsidised coal and coke is too expensive to be competitive abroad. Despite its progress in non-coal areas, Ruhrkohle remains irrevocably tied to the future of coal-mining. The Ruhr itself faces a tough challenge in absorbing the job losses following the closure of mines. The figures are revealing: in 1970, more than 191,000 people worked in the Ruhr's mining industry; a decade later this had fallen to 140,000; then to 100,000 in 1990. Today the total is down to 89,000.

Ariane Genillard

## Investment boost

Continued from previous page: land of coal mining. "I don't see much competition with the east just now, but the reason is there is no demand. Normally, for capital intensive investment, we would have no chance. The advantages in the new federal states are much more obvious. They can offer double the level of direct subsidies. But we can offer planning approval within six weeks. We can offer suppliers very good connections, a good technical basis, and trained personnel."

He believes that for foreign investors, like the Japanese, it is planning certainty, and the

reliability of the local partner, which is more important than the immediate cost of an investment. He also suggests the Ruhr must think long-term: "It's not just a matter of attracting big investors. We must go for small businesses, and we must promote co-operation with our universities. We must do more to make the region attractive for higher qualified people. We have a very well developed green infrastructure, and a wealth of cultural facilities. Everything is there. But we lack good housing for highly qualified workers." Ironically, she believes part

of the problem is that property prices are too low – "you pay DM2,000 a square metre in Munich, DM1,000 in Frankfurt, and DM900 in Dresden. Here you can pay as little as DM50 to DM100 a square metre."

That means private developers are not attracted. Yet in spite of the scale of the challenge, indeed perhaps because of it, the Ruhr is looking up.

"Within a very short time, the region has become attractive for investors because of its human potential and an affordable quality of life," according to Prof. Klaus Kunzmann, of Dortmund University's planning institute. "For others, it is an innovative laboratory of regional change. The Ruhrgebiet is no longer a loser, a place to avoid."

## THE RUHR AREA

## A LAND FOR ENTREPRENEURS

William Thomas Mulvany, a surveying engineer from Sandymount, Ireland, was one of the founders of VEBA. In 1855, he came to the Ruhr as a retired civil servant and constituted the mining companies "Hibernia" and "Shamrock". Due to numerous innovations, he became famous as an entrepreneur in his time.

Mining formed the origin of VEBA's present-day activities: Energy, Chemicals, Oil, and Trading/Transportation/Services. With 1992 sales totaling DM 65 billion, a net income of DM 1.0 billion, a capital spending volume amounting to DM 7.4 billion, and 129,000 employees, VEBA is among the leading companies in Europe.



For VEBA, mining belongs to the past. However, the Ruhr remains one of the centers of the Group's activities. Nowhere else do we spend

as much on the future of our subsidiaries as in the Ruhr Area: Within the past three years, we have completed projects with a capital spending volume of DM 3.9 billion. We plan to invest another DM 6 billion by 1997.

Since the days of Mulvany, the Ruhr Area has always been a place for innovative companies and daring entrepreneurs. VEBA keeps this spirit alive.

Further information is available from:

VEBA Aktiengesellschaft, Public Relations, Bennisgenplatz 1, 40474 Düsseldorf, Germany, Tel.: 49-211-4579-367, Fax: 49-211-4579-532.

VEBA



## RELAUNCHING THE RUHR 3

Education and manpower training

# Plan for a high-tech future

At the beginning of this century, the region was called the "Red Ruhr" - feared by the authorities as a dangerous hot-bed for socialist ideas. To keep the Ruhr under control, Kaiser Wilhelm II pledged then there would be "no students and no soldiers" in the region.

In 1933, the Ruhr is still ruled by the political left, personified by Mr Johannes Rau, the state's popular, grey-haired prime minister. But now, far from having "no students", North Rhine-Westphalia claims to have more universities and centres of higher education per head than any other area in the European Community.

Higher education and vocational training are two important trump cards which local politicians display when asked about the region's attractions.

A walk through the depressed city of Rheinhausen, where the steelmaker Krupp closed a plant last August, vividly illustrates why manpower training schemes are politically crucial to employment in the Ruhr.

The hope is to foster more high-technology companies which brought prosperity to the southern states of Baden-Württemberg and Bavaria. Two key ingredients are essential: a diversified, export-driven industrial base and a highly trained workforce. Heavy industry has made great efforts to diversify. The Mannesmann group is an example - it once mined coal for factories which manufactured seamless metal tubes. Today, it has diversified into electronics, hydraulic systems, plant con-

struction and engineering. To offer industry a better-qualified workforce and to attract new businesses to the region, state officials have funded an array of higher education facilities.

North Rhine-Westphalia now has 50 universities and vocational training centres, most of them located around the urban centres of the Ruhr. Moreover, there are 10 branches of the famous Max Planck Research Institute, five branches from the similar Fraunhofer Society and 24 technology-transfer offices regrouped in three state-run research centres.

State officials view this educational

framework as vital support for the region's industrial diversification. In the city of Dortmund alone, the eight-year-old technology transfer institute is believed to have created more than 1,000 jobs for the town in the last three years.

The aim is to provide job opportunities as much for today as for the years ahead -

"there is a generation problem," explains Ms Anke Brunn, state minister for science and research. "We don't expect miners to start manufacturing computer chips. But their sons and daughters - they are studying in preparation for new technologies. That is a crucial step for a prosperous future."

To qualify for state funds, universities have to offer programmes specifically geared for new regional industries.

For example, the vocational training centre which opened last year in Gelsenkirchen offers teaching in waste management and in engineering - two important growth areas in the Ruhr.

The Fachhochschule-Gelsenkirchen, which is the latest (and 50th) centre to open in the Ruhr, now trains 2,000 students and hopes to increase this number to 3,000 next year - "we teach engineers how to sell engineering products because this will be as important in the future as manufacturing itself," explains Mr Peter Schulte, the rector.

The centre is also geared toward training people to be an on-line technician. It is, for example, holding talks with Britain's Hallam University in Sheffield

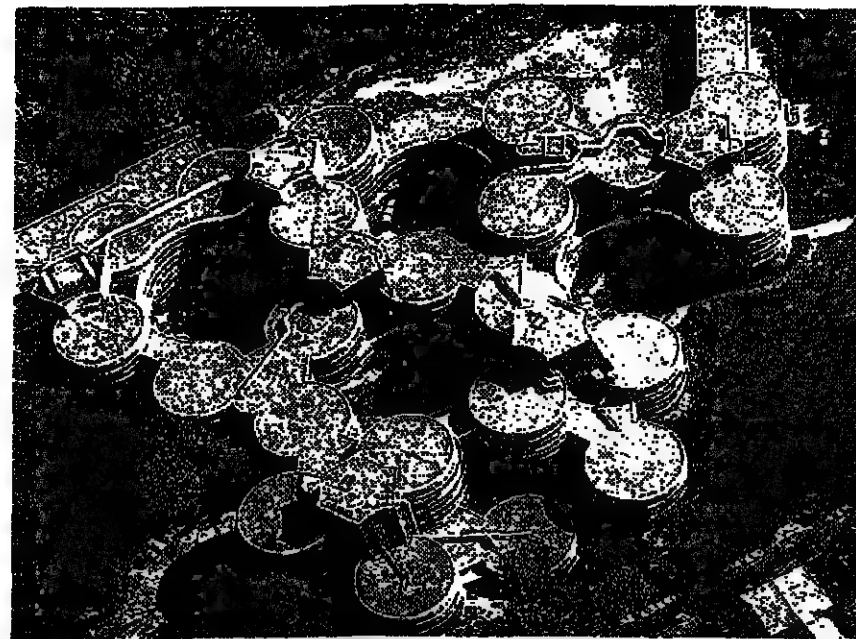
about a student exchange programme.

Mr Schulte admits, however, that much remains to be done to have education meet the needs of the industries in the Ruhr. Critics claim that vocational training is often removed from the realities of the workplace, not least because some professors, who are civil servants enjoying lifetime employment with little incentive to reform the curriculum.

Moreover, few educational centres offer flexible programme schedules for workers needing mid-career retraining - "most people who want to change their professions or who need to increase their qualifications must leave their jobs in order to attend a university," explains Mr Schulte. For Ms Brunn, the minister, education has to become more of a partnership between private and public sectors. Companies must increasingly focus on ways to increase staff training to meet technological change, she says.

"We need to introduce greater flexibility in work schedules to allow people to take evening classes and to retrain while they are working."

Some convenient courses have started. For example, at Bochum University, built,



Bird's eye view of Duisburg University

symbolically perhaps, above an old, abandoned coal mine, strong emphasis has been put on Russian and Japanese language courses, scheduled at convenient hours for working people. But such examples remain all too rare, officials admit.

These facilities can serve as models for

other areas of the country. This autumn there will be fresh discussions at government level on ways to improve links between educational establishments and the labour market.

Ariane Genillard

An ambitious plan is under way to transform the history and heritage of the Ruhr into an architectural and industrial celebration, reports Quentin Peel

MR WILLIAM Thomas Mulvany - who was born in Dublin in 1896 and died in Düsseldorf in 1985 - would have been proud of it. In 1986 he started sinking the first two deep shafts of a coal mine in the fields near Castrop-Rauxel, an unlikely Irish entrepreneur who joined the "coal rush" which launched the German Ruhrgebiet, and with it, Germany's industrial revolution. He called it nostalgically Erin, after his native land.

It was always a battle to prevent the pit from flooding, and after a decade, Mr Mulvany sold Erin, and a second colliery, Hibernia, at Gelsenkirchen, to the new generation of German capitalists emerging in the region.

Today, the pit-head winding gear over Shaft Number Four stands lovingly restored,

painted an appropriate bright green, bearing the name of Erin in huge capitals, as the symbol of a new industrial estate emerging from the wasteland left behind by more than a century of coal mining.

By 1985, the pit was producing 430,000 tonnes of coal a year, and employed 1,488 men. In 1973, at the height of the oil crisis, it reached a peak production of 1.48m tonnes. And on December 31, 1983, it closed - priced out of the market.

The pit heaps have vanished, and the contaminated earth surrounding the former coke works has been bulldozed into modest hillocks to create a new landscape. Saplings have already been planted in neat avenues, and they are starting to dig out an ornamental lake to decorate the site. DM30m has been set aside by the state of North Rhine-Westphalia to bring back a bit of green to the land of Erin.

The industrial estate at Castrop-Rauxel is just one of more than 80 projects in an extraordinarily ambitious plan to transform the history and heritage of the heart of the Ruhr into an architectural and industrial celebration - and thus lay the basis for new

industry, new jobs, and a new environment for the area.

The Emscher Park international building exhibition was conceived back in 1988 as a way of combining the disparate efforts of 17 towns and cities, with a population of more than 3m, and covering an area of some 800 square kilometres, into a concerted effort to revive the entire region.

"They call this the Emscher zone, which sounds very dispiriting in German," says Mr Dieter Blase, a project leader at the headquarters of the exhibition, housed in the converted transformer building at the former Rheinfelbe colliery in Gelsenkirchen.

"This is the heart of the region's problems, the result of a century of chaotic urban development. Our task is to heal the landscape, and at the same time attract new industry. We are trying to integrate old and new buildings, and to ensure the highest quality of

the projects. We are trying to bring back a sense of pride, a culture of architecture and construction to the region."

The idea of the building exhibition goes all the way back to the 1851 Great Exhibition in London, when the Crystal Palace was built, and since then

The international exhibition was conceived back in 1988 as a way of combining the disparate efforts of 17 towns and cities in the region

has been repeated in cities like Stuttgart in 1927, Hanover in 1936, and Berlin in 1967 and 1987. But this is the first time it has been attempted over such a wide area all at once.

It covers the entire area from Duisburg in the west to Bergkamen in the east, a corridor of 80 kilometres along the line of the former Emscher river and the Rhine-Herne canal.

The fundamental idea is to create an Emscher country park, with large expanses of

green space for recreation, linking the unused land between the cities. In addition, there are four main project areas designed to provide a focus for the exhibition:

■ To revive and redevelop the Emscher "river," which is today not a river but an open

sewage system; it involves the ecological redesign of 360 kms of open sewers, and the construction of biological filtration plants, as well as an attempt to reconstruct a natural river.

■ Under the slogan of "working in the park," to develop a number of high-grade industrial and commercial sites - like Erin - on former coal, iron and steel sites.

■ Under the theme of "new housing and forms of living,"

"I was not convinced it was going to work," he said. "The breakthrough has yet to come in Europe. Some say it is too expensive, and that we don't have enough sun. But it's a technology that no one can criticize."

Which is no doubt why the unlikely site of the industrial heart of the Ruhr region has been chosen for such a high-profile experiment in solar power generation. "We want to prove that it is a perfectly effective, conventional source of power," Professor Otten says. "The EC wants to use it as a demonstration project, to show how the latest technology can be intelligently used in the public grid."

"The demonstration effect will be much greater than if it were buried somewhere in the countryside. You will have a power plant, a manufacturer, and an institute for applied solar energy, all in the same spot. What more can you ask for, if you are studying uses of solar energy?"

Quentin Peel

## Rheinfelbe Science Park

# Solar showpiece arises

THE key to the character of the Rheinfelbe Science Park, now being built on the site of the former Thyssen crude steel works in Gelsenkirchen, will be on the roof.

Two enormous glass sails will rise from the twin towers of the new building, and along its entire 350 metre-length will march series of three metre-square glass panels.

The whole complex will add up to the largest roof-based solar power plant yet to be built in Germany, and the plan is to provide all the communal power needs of the 17,000 square metre building from the sun.

Professor Dieter Otten, the chief executive of the science park, who thought up the idea, and pushed it through, sees it as a natural development of the history of the Ruhr region.

"For years we have been producing solar energy in fossil form - coal," he says. "That has the added disadvantage that it produces carbon dioxide."

"The science park, linked to the Ruhr's tradition of energy

production, will show we can produce a technology for the future, out of future energy."

He admits that it was hard to persuade the backers of the science park - the North Rhine-Westphalian state government, the Emscher Park international building exhibition, and local industry - to support his investment. "The idea did not have many supporters. It was opposed particularly by the people representing traditional technology."

Professor Otten had, however, a second line of attack: the solar energy panels could be produced in Gelsenkirchen itself, in precisely the sort of public-private sector co-operation which the science park is designed to promote. The panels will be produced by Flachglas, the Pilkington glass-making subsidiary in the town,

and designed by Flagol, its solar energy subsidiary. The other partner in the venture is Britain's BP, which produces the photo-voltaic cells used in the solar panels.

That appeared to clinch the plan. Now the entire science park is intended to be focussed particularly on all possible uses and development of solar energy.

"The solar energy power plant will be our external symbol," Professor Otten says. "Our aim is to attract as many people here as possible, to set up training programmes and seminars on the uses of solar energy. We expect masses of solar energy tourists to come visiting."

Among the first occupants of the science park will be an institute for applied photo-voltaic technology, as well as an

organisation appropriately called Zens - the centre for energy conversion and storage.

Forty per cent of the DM7.5m costs will be borne by the European Community's research programme, and 10 per cent by North Rhine-Westphalia. The future tenants are expected to finance the difference.

Mr Joachim Benemann, chief executive of Flagol, is quite clear why he, and Flachglas, are involved. "Our aim is simply to find all possible ways of increasing the sale of glass," he says. The company has now set up a special production unit in Gelsenkirchen to produce the panels, using a special technique of pouring resin between two panes of glass to seal the solar cells in place.

## Pressures on regional power suppliers

# An exclusive club

THE RUHR region boasts the headquarters of two leading electricity utilities, RWE Energie in Essen and VEW in Dortmund. Both companies belong to an exclusive club for utilities owning the high voltage grid, the Deutsche Verbundgesellschaft.

RWE Energie is the most powerful of the nine club members, with a high voltage grid four times the length of VEW's. RWE was founded in Essen in the heart of the Ruhr region in 1896 by Hugo Stinnes, the famous industrialist known to competitors as "the black-bearded Assyrian," who emerged after World War I as Germany's "Business Kaiser," controlling coal mines, steel mills, banks, newspapers, hotels, shipping lines - and electrical plants.

RWE, partially communally-owned, steadily expanded and evolved over the decades to become Germany's largest electricity utility. In 1990, the company was restructured to form the RWE Holding in which utility RWE Energie constitutes just one of six sectors.

The other big electricity utility in the Ruhr was set up in the 1920s: the Vereinigte Elektrizitätswerke Westfalen (VEW), based in Dortmund. VEW was formed by the fusion of several communally owned regional supply companies.

Shortly afterwards, VEW and RWE signed an "electro-peace treaty" - a demarcation contract - agreeing not to trespass upon each others' territory. Such contracts, allowed as exceptions under German competition law, now exist between all nine "Verbund" utilities.

Today, VEW is west Germany's fourth largest utility in terms of electricity sales. It has rapidly expanding gas distribution and waste disposal sectors.

Both RWE and VEW are partly publicly owned, with anachronistic multiple voting rights giving the communal shareholders an influence disproportionate

tionately large in view of their minority capital shares.

With electricity sales falling - VEW sales were down 1.6 per cent in 1992, RWE-Energie sales down by 3 per cent in 1992-93 - the utilities have a growth problem. Potential in east Germany and eastern Europe exists, but it is developing very slowly.

Strong talks by the European Commission and the German Federal Cartel Office (FCO) over the introduction of more competition in the electricity sector have added impetus to a trend in which smaller utilities seek to hitch themselves up with larger ones.

The "minnows" hope that if and when the free-for-all for electricity customers begins, this overlapping of interests will prevent the large utilities from snapping up all their lucrative customers. The pattern does not stop here - even the larger utilities are consolidating their positions. And the FCO in Berlin appears to have only limited power to stop this trend.

A warning came from the chairman of RWE, Dr. Friedhelm Gieske this April: "Competition within the energy sectors, bound by cable or pipeline transmission, will inevitably lead to concentration so that the large companies will become ever bigger. This would ultimately help us, but there would be a political mistake and therefore is not something we want."

Recent developments in the Ruhr illustrate the creeping concentration in the electricity sector: The city of Dortmund has a concession contract, expir-

ing in 1994, under which VEW is its exclusive electricity supplier. Initially, the Dortmund municipal Stadtwerke dreamed of taking over the city electricity supply. However, sobered by VEW's demands for a payment of around DM1bn for the Dortmund transmission grid, the Stadtwerke agreed to a compromise. VEW and the Stadtwerke will form a joint supply company, Dortmund Energie und Wasserversorgung (DEW) for the electricity, gas, district heating and water supply to the city.

The FCO has approved the deal but imposed two conditions. First, the contract is valid for only 20 years. Second, VEW is not allowed to use its minority voting rights to influence Stadtwerke Dortmund decisions over the source of DEW electricity supplies. In fact, the choice of supplier is very limited anyway. The only alternative to VEW is the regional utility Elektromark, in Hagen. And the Stadtwerke has already decided to continue taking electricity from VEW.

The FCO's attempt to preserve an element of competition is weak. Observers wonder if Dortmund is likely to change suppliers after 20 years of co-operating with VEW - and if Elektromark still be around in 20 years, in any case. Elektromark's supervisory and executive boards have strongly recommended linking up with RWE Energie and VEW by selling each of them a 10 per cent block of shares. The link with RWE-Energie is designed to intensify co-operation in the electricity sector, the connection with VEW serving links in the waste disposal sector. Elektromark is

also selling its 300MW share in the Ennsland nuclear power station in equal shares to RWE-Energie and second largest German utility, Preussenelektra, to the discomfort of VEW which owns the other 75 per cent.

Such manoeuvres are by no means limited to the Ruhr. Elsewhere in Germany the larger utilities are also consolidating their positions. The Bavarian Bayernwerk is moving rapidly closer to a merger with the Vlag Group.

In Baden-Württemberg, utilities Badenwerk and Energieversorgung Schwaben have been permitted by the FCO to merge on the grounds that there was no competition between the two anyway. Other smaller electricity companies want to join, too. They fear that if the electricity sector were liberalised there would otherwise be little to stop Badenwerk/EVS taking their best customers.

Hannover has decided to sell 40 per cent of its municipal utility. Twenty per cent goes to German gas giant, Ruhrgas, also based in Essen. Thuega, a subsidiary of the giant Veba which also owns utility Preussenelektra, is taking the other 20 per cent. The link with Thuega could help stave off potential future threats from Preussenelektra to win the Hannover utility's big customers, such as Volkswagen and Continental.

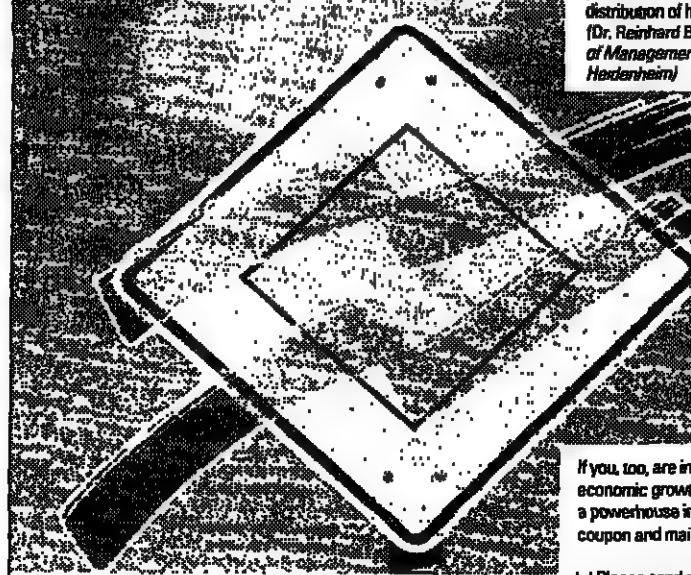
In the Ruhr, the FCO would undoubtedly fight hard to prevent a VEW merger with another utility. But as VEW slips down the pecking order of "Verbund" companies and is sandwiched between the supply areas of RWE and Preussenelektra, observers wonder how long will it be before it, too, decides the electricity business is best carried out "in co-operation" with a stronger partner.

Sara Knight

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Victoria Griffith looks at the voice recognition systems ready to hit the mass market

## Something to shout about

The concept of "voice recognition" - the capability of computers to understand human speech - has been around for some time, but the limited success of computers in comprehending complex spoken phrases has kept this technology from the mass market.

This may be about to change, as companies turn away from the goal of complete computer fluency to more simplistic applications. "Until now, most of the focus has been on esoteric systems for nuclear submarines, jet aircraft and computers which understand complicated, spoken sentences," says Jerry Guterman, chief financial officer for Voice Powered Technology, a California company which is working on voice activation for home appliances.

"But in its simpler form, voice recognition technology is already reliable enough to be introduced into the mass market." It is not surprising that one of the first mass-market sectors to embrace this technology is telecommunications.

AT&T, the US long-distance carrier, Nynex, the regional telephone company for the north-east of the US, Northern Telecom, Canada's telephone giant and Motorola, the American communications group, are all heavily involved in voice recognition research, and most already have products on the market.

Science fiction often features machines which respond obediently to orders barked out by humans. In the imaginary world, robots fetch slippers, cook dinner and perform the role of high-technology "slaves".

A robot which can perform complex tasks still exists only in the realm of dreams, but scientists say we may not be far from the day when we can wake up, shout out "Temperature 72°F".

Coffee-maker on! Toaster on! and get up 16 minutes later to a warm house, fresh coffee and breakfast.

What might make this dream reality is the development of "voice-recognition" technology, which enables machines to

Several automatic dialling systems using voice recognition have started operation. Nynex has introduced the system to 160 customers in Long Island, New York, where the company claims it has met with success. Instead of pressing buttons by hand, the system allows users to programme up to 50 numbers into their telephone. Each number has a corresponding voice command, such as "home", or "work".

The telephone memorises the command, and the next time the customer picks up the receiver and says the word, the telephone will dial the number automatically. Nynex hopes to offer the service to most of its customers by the end of 1994 for between \$4 and \$6 a month.

The Lexus car uses a similar system for its Motorola-supplied telephone. The driver of this luxury car does not even need to pick up the receiver. Saying the word "on" is sufficient to receive a dial tone. When the conversation is over, the word "off" will disconnect the line.

AT&T also markets a cellular telephone with voice-dialling capabilities. Voice dialling is a relatively simplistic application because it relies on "speaker dependent" systems. Under this approach, the computer is trained to recognise a single voice.

Nynex is considering use of the system to reduce telephone fraud. "If we had telephone cards and cel-

lular telephones that respond only to a specific voice, only one person could use them," says George Vysotsky, technical director of advanced speech systems at the company.

The new system would not only provide a new product for customers; it could also save the group money. Nynex says it loses \$1.8m (£1.2m) a month from telephone fraud.

Ultimately, voice-recognition may be used by the telephone sector not so much to offer a new product to customers, but as a means of saving company money. Providing operators to service users is expensive for telephone groups, and their dream is to replace many operator functions with a voice-recognition device.

Both AT&T and Nynex hope to introduce shortly a system which would recognise simple commands such as "collect call" and "person-to-person". One challenge is in teaching computers to screen out irrelevant words. "People don't always use these systems in real life as they do in the lab," says David Roe, supervisor of speech research at AT&T/Bell Labs.

"The computer may ask: 'Would you like to make a collect call?', and the customer will respond, 'Huh? Is this the phone company?' The computer has to be trained to recognise this response as irrelevant, and repeat the question."

## A robot that makes the coffee

understand spoken commands. Bringing voice-activated devices to the mass market is the mission of Voice Powered Technology. The group already produces a VCR programmer which operates by voice command, and will launch another speech-activated device, a "date-reminder", in the autumn.

Just how many people will prefer to use their voice instead of their fingers in operating home appliances is not yet certain, but the new VCR programmer has caught the attention of Philips

Consumer Electronics.

The US subsidiary of the Dutch electronics giant has contracted with Voice Powered Technology to use the voice-activated programming device in two of its Magnavox VCR models, and as a stand-alone remote control accessory.

"An overwhelming number of consumers still have trouble programming their VCRs," says Jim Newbrough, vice-president of marketing at Philips, "and the use of voice enables us to

differentiate our products." The VCR programmer prompts the user by flashing questions on the television screen. In response to the question "What?", for instance, the user would say a number. The user can also make the programmer skip over commercials in a recording by saying "Zap it".

The "date-reminder" device, which will come out this autumn, works in the following manner: the user says a phrase such as "Don't forget to call John Doe,

Monday at 9.00 am". The date-reminder recognises the words Monday and 9.00 am, and records the rest of the message. On Monday at nine, the machine will beep and spit out the recording.

The technology used in these devices is relatively simple. The video programmer, for instance, has a vocabulary of just 31 words.

Both are operated by an eight-bit microprocessor, instead of the heavy digital signal processor that most voice-recognition

build up such a large database," says Vysotsky.

Northern Telecom of Canada believes it can crack the problem with a new voice recognition technique known as "phoneme recognition". Instead of training a computer to recognise specific words and phrases, the company is training its systems to recognise individual sounds, or "phonemes".

The English language, for instance, is made up of 40 phonemes. "If you use phonemes, as well as a few basic grammar rules, the programming is easier and the ability of the computer to understand becomes far greater," says Pierre Boissieu, a specialist at Bell-Northern Research, the research and development subsidiary of Northern Telecom.

The company has used the new system in an experiment to provide stock quotations to callers over the past year. The computer recognised 2,500 company names by thousands of callers successfully, according to the group.

By the end of 1994, Northern Telecom plans to use the phoneme recognition system in limited applications for directory assistance. Once its directory assistance system is in place, the group plans to concentrate on an even more sophisticated product, a "personal telephone secretary".

This system would be capable of screening and forwarding calls. For instance, the computer could be programmed to accept calls from a single person or group of people. Most callers would be told that the person they want to reach is busy, however, it would recognise certain names and put them through.

This technology is probably years from the marketplace. However, voice recognition in its simplest form is already being used by the telephone companies, and is likely to grow in popularity and sophistication. Telephone groups hope that one day, operators will be obsolete, and every telephone customer can access complex voice recognition technology at home.

technology relies on. "This enabled us to offer the product as a battery-operated device," says Jerry Guterman, of Voice Powered Technology. The group hopes the simplicity of its technology will allow it to be applied to a number of domestic appliances.

"We are talking voice-recognition to the masses," says Guterman, "and this technology can be applied to a number of products, including CD players, coffee machines and microwaves."

The day a machine can be commanded to cook a meal may not be so far off, after all.

VG

## Forming a brand new gel

Bran, the staple of the healthy breakfast cereal, is earning itself a new image - as a source for a super-gel which could be used in wound dressings, industrial lubricants and food.

GB Gels, of Swansea, has developed a process for making polysaccharide (complex sugar) gels from vegetable and cereal by-products. American corn bran, the waste left after the cereal is milled, is proving particularly useful. The company has already signed a worldwide licensing agreement with Seton Healthcare for the Oldham-based company to use the gel in wound dressings. Seton hopes its first product will be a clear hydrogel which will be used to keep wounds moist and so promote healing, says Graham Collier, director for product development and regulatory affairs.

Other uses are numerous. The gel could be used as an inert base to carry medicines in ointment form. Because it is biodegradable, unlike today's synthetic gels, it could be used in agriculture or as a lubricant in oil drilling.

Most importantly it could be used as a gel in the food industry to replace gelatin or gels made from seaweed. Rod Greenshields, chief executive officer of GB Gels, believes US and continental European consumers could be the first to benefit from the developments because the licensing of new food substances is more conducive to the gel there than in the UK. As bran is approved for food use in the US, France and Germany, the gel could easily be approved as a derivative, says Greenshields. In the UK, the new gel would have to go through lengthy approvals as a new food additive.

The process developed by GB Gels is similar to brewing beer. The useable part of the bran is extracted to produce a liquid extract which is treated with enzymes to make the gel. This can be spray-dried if needed to form a powder. It can also be passed through a series of purification processes for truly sterile medical purposes.

Della Bradshaw

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## PEOPLE

### Short-term occupation

The fate of the Occupational Pensions Board hangs in the balance while the government's advisory body on occupational pensions, the Goode Committee, debates the future regulatory framework.

The new chairman, Harriet Dawes, partner at Lovell White Durrant and a specialist in pensions law, acknowledges that she is in a caretaker role. Dawes, currently OPB deputy chairman, has been appointed to head the body until the end of the year following the retirement of Sir Jeremy Rowe.

Peter Lilley, social security secretary, is to make a further announcement after reviewing

the Goode Committee's recommendations, due to be submitted by the end of the month. For her part, Dawes says she is far too busy to take on the duties of the OPB permanently even if the body were to continue in its present form. But by all accounts, it will not.

Dawes herself advocates a new regulatory structure and says that unlike the OPB, it should have powers to publish findings, set fines or even revoke authorisation to run a scheme. "If there is to be a regulator, it has got to be clear about whom it is trying to protect, government, members or the industry," she says.

### Heron quits Capel for SNC

David Heron, the longest-serving director of James Capel, is cutting loose after 34 years to head up Smith New Court's equity derivatives operation on January 1.

Michael Marks, Smith's chief executive, says Heron will be given a "blank piece of paper" to develop the company's global equity derivatives business. "We were surprised that he left (Capel)," he said, "but we were keen to gain his expertise on the sorts of derivative instruments clients want in different parts of the world."

Heron previously ran Capel's derivatives unit, but following the Hongkong Bank takeover,

the derivatives business at Midland and Capel has been increasingly decentralised, with, for example, UK equity derivatives moved to the domain of stock trading.

Recently his projects at Capel have included a scheme to raise corporate capital for the Lloyds Insurance market. ■ Barry Southcott, managing director marketable securities division of CIN MANAGEMENT since 1983, has been promoted to become chief executive following Paul Whitney's move to NatWest Investment Management.

■ QUANTEC, a provider of investment technology services, is hoping to capitalise on the growing interest among UK fund managers for quanti-



### Tunnelling out

Jack Lemley, chief executive of Transmanche Link, the Anglo-French contractors building the Channel tunnel, will step down at the end of the year after the £2.4bn project is handed over to Eurotunnel, the publicly quoted tunnel operator.

The post will be filled by Haro Bedelien from Balfour Beatty who became chief executive designate yesterday. Balfour Beatty is the construction arm of BICC and one of 10 British and French companies making up TML.

Lemley, a US engineer, was appointed chief executive of Transmanche in 1989 as part of a series of management changes after relationships between Eurotunnel and its contractors first became strained.

Over the following four years, Lemley was at the centre of negotiations between Eurotunnel and Transmanche over the contractors' claims for extra payments. In the process Lemley's relationship with Sir Alastair Morton, Eurotunnel's chief executive, is understood to have become increasingly difficult.

In May, Joe Dwyer, Wimpey's chief executive, who had worked closely with Lemley, stood down as the British co-chairman of Transmanche and was succeeded by Neville Simms, Tarmac's chief executive. Finally, in July this year, Eurotunnel and the contractors announced an agreement to end their long conflict, setting a target date of December 10 for TML's handover of the project to Eurotunnel and paving the way for a phased opening of the tunnel next year.

### McNeil to head Bull Europe

The "auld alliance" between Scotland and France was reinforced this week with the announcement that George McNeil, currently heading Groupe Bull of France's UK operations, is to be president and chief executive of Bull Europe.

He is the latest British computer boss, tempered in the heat of the UK recession, to be singled out for greater things in foreign-owned companies. Geoff Unwin, for example, head of Hoskyns, now has executive responsibility for France's CGS, the UK company's parent.

From October 1, McNeil's remit will include all of Bull's European affiliates with the understandable exception of France. He will be the first UK man-



man and chief executive.

Pache, a newcomer to the computer industry, will no doubt lean heavily on McNeil's experience. Now 50, the Edinburgh-educated Scot joined Honeywell in 1965 and progressed through the company in a variety of positions including vice president of manufacturing, large companies division, in Phoenix, Arizona.

He believes that Bull UK's early moves to standard systems and a service mentality, setting an example for the rest of the organisation, must have played a part in his latest promotion. His toughest task, cultural differences apart, will be to change mental attitudes in a company which has for so long seen the manufacturing of large computers as its principal activity.



ARTS

## Pianists play it out in Leeds

There has been torrential rain for the 30th anniversary of the great triennial Leeds contest: or to give it its full title, The Leeds International Piano Competition. (Since the halfway mark, 1978, Harveys of Bristol have been the principal sponsors.) Founded by Fanny Waterman - who remains its Chairman - and Marion Thorpe, it has become one of the five or six leading piano competitions in the world. Despite, it must be said, having to hold its later rounds in one of the least suitable venues in the country: for the live audience, the lofty vault of the Town Hall can turn piano-sound into queasy noise.

Many of the 76 young contenders this year are prize-winners from other contests. Their number has already been whittled down, to 25 after a first round of 40-minute recitals ("The Jury reserves the right to stop a performance at any time"); and then, after a second round of 55-minute ones, to 13 semi-finalists. Most of the 15-strong jury are distinguished pianists and/or teachers; inevitably some of the contestants, from 23 countries, are or have been pupils of one or another of them, which must require a lot of tact in the jury-room.

Among the semi-finalists heard so far in their 75-minute recitals have been two Italians, of whom the bearded 24-year-old Filippo Gamba stood out. He was strong and thoughtful, if not very warm, in Schumann's *Humoreske*, and unfolded rich textures in two Debussy preludes. In Prokofiev's grandiose *Sonata no. 8*, however, he displayed mature power and insight of the first order. It was the last of Luca Ballerini (28), a cool and careful pianist, to have chosen that *Sonata* for his own recital the previous day: a spidery pencil-sketch, against Gamba's full oil-canvas. (They are both students of Maria Tjeb, who might have had a word with Ballerini some time ago: "Luca, you do realise that Filippo has chosen the Prokofiev for his programme too...?")

Another 28-year-old Tjeb pupil, the Brazilian Ricardo Castro, was admirably sound and cultivated in Schumann's *Etudes symphoniques*, in Debussy and in Liszt's "Dante" *Sonata*, his *piece de resistance*. Musically and technically he was fully equal to that glorious showpiece, but I missed anything much like magic in the actual sound: a "Dante" that doesn't occasionally make one's hair stand is only half a "Dante".

In his quirky way, Richard Ormrod (19) came closest to that kind of inspiration in the "other" Liszt *Sonata*, the great B minor. There were some odd tempi, and much heavy underlining where none was needed; his best passages, however, struck persuasively to the heart of the music. So he did too, sometimes, in the great Schubert B-flat, despite proceeding headlong through it - not fast, but with hardly a pause for breath.

He and Leon McCawley (20) were the youngest semi-finalists, and the only British ones. McCawley's deliciously sprightly, beautifully graded Haydn *Sonata* (R. XVI 50) was a winner, and the Beethoven C minor *Variations* matched it. Schumann's gentle *Waldscenen* struck me as brittle over-pointed, though interesting, and the strenuous Samuel Barber *Sonata* brave but lightweight. This is nonetheless a pianist with a gleaming future.

No telephone bookings are accepted. For information, call 051-529999.

Cinema/Stephen Amidon

## Tina turns out trumps

TINA: WHAT'S LOVE GOT TO DO WITH IT? (18)  
Brian Gibson

THE BABY OF MACON (18)  
Peter Greenaway

DAUGHTERS OF THE DUST (18)  
Julie Dash

ACCION MUTANTE (18)  
Alex de la Iglesia

**B**lopes of living characters are fraught with two potential problems. Either the makers tend to gloss over the story in order to avoid the ire of subject and fans, or else the subject is turned to full volume so that every lurid whisper can be heard. It is to the credit of *Tina: What's Love Got to Do With It* that it steers a course somewhere between these two extremes, making for an engaging and believable star treatment.

Most people have at least some acquaintance with Tina Turner - the ageing legs, the majestic mane of hair, the stadium size voice. What few realised before the recent publication of her autobiography was that for the first 30 years of her career she was on the receiving end of terrible abuse from her husband Ike. It was a storybook romance at first, with Tina (whose real name is Anna Mae Bullock) meeting Ike when she took the stage at an amateur hour at his St. Louis club. Despite a string of powerful R&B records and steady success on the concert circuit, however, Ike and Tina never really hit the big time, always a half step behind whatever trend held sway. The resulting

strain took its toll on Ike, who lashed out at Tina with drug-fuelled fits of rage until the late 1970s, when she finally was able to leave him.

Director Brian Gibson tells this often brutal story with admirable honesty, refusing either to pull punches or linger on them. He moves seamlessly through Kate Lanier's strong script, avoiding the melodrama which beckons throughout. The picture has a decidedly authentic look as well as feel - Ike's transformations of dress and coiffure chart the passing years with wry accuracy. Only at the film's end, in which Turner's Buddhism is touted and the star herself appears in a final concert sequence, does the film go beyond drama into the realm of homage.

The two leads turn in powerful performances. Laurence Fishburne is frighteningly charismatic as the brooding Ike - it is easy to see why Anna Mae falls for him as a young man, easier still to see why Tina leaves him two decades later. In a decidedly thankless role, Fishburne manages to win our understanding for Ike's monstrous behaviour without ever asking us to sympathise with it. And Angela Bassett is equally fine as Tina, making the singer's long suffering credible. And a special note for courage should go to James Rayne, who, in the role of Turner's manager Roger Davies, has the unenviable task of portraying the film's executive producer.

Abuse of a different sort is the subject of Peter Greenaway's latest celluloid conundrum, *The Baby of Macon*. Set during the 17th century, the film depicts a play in performance at a provincial French theatre, attended by a young prince and his entourage. The play's action concerns a beautiful child who,



Powerful performances: Laurence Fishburne and Angela Bassett as Ike and Tina Turner

after being miraculously born to a grotesque old woman, is believed to be imbued with holy powers. The child's greedy sister claims him as her own, charging supplicants for the baby's grace. She is soon discredited, only to kill the child after he is taken away from her. The city's religious authorities sentence her to death, overcoming a loophole which forbids the execution of virgins by having her raped by 300 men before she is to be hanged.

Greenaway tells this story with his usual self-satisfied and gross pomposity, mixing ornately stylised visuals with truly unpleasant moments. A placenta is tested, boils and sores are displayed, a young man is graphically pored by a bull, the murdered child is sliced into small pieces for souvenir hunters. In perhaps the film's most unsettling moment, the child, at the age of perhaps four, watches as his sister/mother (Julia Ormond, a shoe-in for trouper of the year) foreplays in the nude with a young man.

Despite the unfiltered gore and cinematic dare, however, the film is still satisfyingly boring, as murky and static as a painting badly in need of restoration. Much is written about Greenaway but little is said about just how bad he is at composing dialogue. One wonders what kind of movie he could make if he teamed with someone who understood dramatic writing. On the other hand, as long as he is in charge of both script and direction, it certainly takes away any element of doubt as to whether or not to see the film. Give it a miss. Despite the controversy and attention he somehow manages to engender, Greenaway continues to be the master of making moviegoing the one thing it should never be - drudgery.

Another filmmaker who is not overly concerned with narrative punch is Julie Dash, maker of *Daughters of the Dust*. Set on an island off the coast of South Carolina at the turn of the century, Dash's film concerns a day in the

life of the black Peasant family as most of its members are about to emigrate north. Little actually happens in the course of the day, and when it does, it is hard to understand exactly what it is.

Dash films her exotic setting with an exquisite eye, creating some memorable tableaux as she captures the primal mystery of this all-black enclave. Unfortunately, like many visually gifted directors, she has a tin ear, producing a script which at times sounds like an anthropology text, at others is laden with clichés of the "you have to change with the times" variety. And her refusal to spend much time establishing characters or explaining their conflicts makes this more like a stroll through an exhibition of sepia photographs than a full blooded drama.

Which brings us to the comprehensively unbundled antics of *Accion Mutante*. To describe the plot of this bit of insanity is akin to writing a study guide to a Marvel Comic, but here goes. It is the year 2012 and the

world is run by beautiful people, with fascist cops administering beatings to any cripples who try to step out of line. Not surprisingly, the disabled feel hard done by, so some of them form a terrorist organisation to strike back. When their leader is released from prison they decide to kidnap an industrialist's daughter from her wedding, spiriting her off to a planet inhabited by crazed miners.

The Spanish director Alex de la Iglesia's film is every bit as bizarre as you might expect. But, despite the promising premise and frantic energy, the film is nowhere near as much fun as it needs to be to grab the viewer. Although there is plenty of gore and knockabout action, as well as a pleasingly idiosyncratic view of the future, the film lacks any sustained wit, at least the sort that can survive translation into subtitled. The result is an inescapable feeling that all this sound and fury signifies next to nothing.

## An anxious 'Romeo and Juliet'

**R**omeo and Juliet opens the autumn season at the Birmingham Repertory Theatre with Coward's *Billette* under Bill Alexander. The Rep under Bill Alexander is allowing drama to bear its part alongside dance and contemporary music in Birmingham's rejuvenated arts. A solid *Romeo and Juliet* directed by Gwenda Hughes consolidates the company's gains over the last six months: this is dependable without being inspired, but fresh enough not to be predictable.

The production's greatest asset is Robert Jones's wonderful static set of sumptuous blue hangings fringed with gold, as if Romeo had died and Juliet had indeed cut him into little stars. The hangings fall from a Hawksmoor ceiling frame which moves down to create the claustrophobic interiors in which most of the action takes place. The floor is blue and gold, and pillars lead the eye to the mural of Verona at the back of the stage.

But the scope of the set strains the action by spreading it out. The strength of last year's RSC *Romeo* was that it created intimate spaces on a large stage. Here, Hughes likes to keep distance between characters, and this slows both the verse and the action, with mid-line pauses while actors cross the spaces between them. The two hour's traffic promised by the prologue is more like an M40 jam tailing back three and a half hours, even in this

lightly cut version of the 1595 text. The verse speaking, too, needs to be more natural and less deliberate. There is a tendency to reach for the excitement and pace that the verse gives naturally. This straining means that lines are artificially raised at the end. Statements sound like questions: "Love goes towards love as schoolboys from their books?" and "I am fortune's fool?" Imagine the effect in everyday life: "Good evening? I'm your captain for this flight?"

The principals have yet to centre themselves in the parts. Josette Bushell-Mingo is a strong, versatile actress whose talents are confined rather than concentrated by playing Juliet; and Damien Lewis' Romeo lacks the intense assertiveness of a man possessed by passion. Their love is still searching for sweetness and quietness, and has about it an anxiety which typifies the production. Elsewhere, Mark Jax's Mercutio gives away his "Queen Mab" speech by depending on the reactions of his on-stage listeners and meandering downstage, dissipating the energies of the verse.

But the production finds a lasting image of Romeo and Juliet curled together in death, like casual sleepers. Over their bodies, the handshakes between Montague and Capulet had particular poignancy in this week of handshakes.

Andrew St George

Until October 9 (021 236 4455)



Hair in the 1980s: between the songs "Aquarius" and "Let the Sun Shine In" nothing much dawns

## 'Hair' is wearing thin

Malcolm Rutherford finds the hippies have aged

the songs and you will find that they are not what you remember. The best remain the opening "Aquarius" and the concluding "Let the Sun Shine In", but between them nothing has dawned.

Who now cares a hoot for the song called "Manchester, England"? The truth is that *Hair* seemed a strong musical at the time because of the general mood. Even the apparently innocent worship of drugs has now faded, let alone the homage to indiscriminate sex. Too many people have died in the meantime. What appears not to have died is the admiration for the hippies. Otherwise there can be no conceivable reason for an expensive revival. Yet even there I am not so sure. This was a first night audience, usually primed to applaud every word, every song. The Old Vic audience was often uncannily quiet. The moment when a woman mounts the stage from the auditorium failed to come off; her male partner is even more of a misfit.

Meanwhile, the hippies mooch around and occasionally dance. They worship the sun, they worship the moon and they look like pukes at Stonehenge. What a conservative, conformist, tribal lot they were! Even when they address

they do it in unison. Michael Bogdanov directs. All that one can say is that it was an interesting experiment to try a revival. This production proves beyond doubt that not everything in the 1980s is worth going back to, except as a curiosity. The mood now is one of not being quite sure where to look. It was really an extraordinary idea that people could be held together merely by having long hair. The fashion has changed. Time to bring back *Guns and Dolls*.

Old Vic Theatre (071) 928 7616

## INTERNATIONAL ARTS GUIDE

### BARCELONA

Les Ballets de Monte Carlo present a programme of Ballets Russes choreographies tonight, tomorrow and on Saturday at Gran Teatre del Liceu.

The first opera production of the season is *Der fliegende Holländer*, which opens on Oct 2 (412 3532).

Information and booking for cultural events can be obtained through Caixa Catalunya from 08.00 to 14.00 (310 1212).

### BOLOGNA

The 1993-4 season at the Teatro Comunale begins on Sep 24 and 25 with a programme of Richard Strauss orchestral works conducted by Eilahu Inbal.

The first opera production is Puccini's *Trittico*, opening on November 27 (Biglietteria, Ente Autonomo Teatro Comunale di Bologna, Largo Respighi 1, 40128 Bologna).

No telephone bookings are accepted.

### FLORENCE

Teatro Comunale Tomorrow, Sat, Sun afternoon: Andrew Davis conducts orchestral works by Haydn, Ravel and Schumann, with piano soloist Pascal Rogé (055-211158).

### MADRID

The 1993-4 season at Teatro Unico La Zarzuela opens on Sat with José Serrano's zarzuela *La Cancion del Olvido*, by Pier Luigi Pizzi. Daily except Mon till Oct 10 (01-429 8225).

### WARSAW

This year's Warsaw autumn contemporary music festival has a less international look than in the past two years, despite the presence of ensembles from Lithuania, Germany and the Netherlands. The festival continues to provide an international platform for Poland's lively contemporary music scene. Tomorrow's opening concert is a 60th birthday tribute to Krzysztof Penderecki, who conducts *Sinfonia Varsovia* in his own Flute Concerto (Irena Grafenauer) and an arrangement for cello of his *Viola Concerto* (Boris Pergamenschikov). Other concertos feature Frank Martin's *Cornet Rikie* setting, a programme of New York minimalist

works, a new work by Gorecki and the first Polish performance of Messiaen's *Eclairs sur l'au-Delà*. In the final concert on Sep 25, Witold Lutoski's 80th birthday is marked by a programme in which the composer conducts the National Philharmonic Orchestra in his own First and Fourth Symphonies (Warsaw Autumn, c/o Hotel Europejski, Krakowskie Przedmiescie 13, tel 022-265051 fax 022-261111).

### LONDON THEATRE

Travelodge: RSC artistic director Adrian Noble directs Anthony Sher in the first London revival in nearly two decades of Tom Stoppard's award-winning comedy. Opens tonight (Barbican 071-638 8891).

Wallenstein: Tim Albery has condensed Schiller's trilogy for this RSC production, which opened last night (Barbican 071-638 8891).

David Hare Trilogy: a three-part examination of British institutions, directed by Richard Eyre, in the Olivier Theatre. Hare's study of the judiciary and the church, *Murmuring Judges* and *Racing Demon*, are in repertory, joined next Thurs by his new play *The Absence of War*. All three plays can be seen on the same day on Oct 2, 9, 23, 30 and Nov 13, 20 (National 071-928 2252).

Carouse: West End transfer of Nicholas Hytner's National Theatre production of the Rodgers and Hammerstein musical (071-379 5393).

Oleanna: West End transfer of Harold Pinter's Royal Court production of David Mamet's new play, starring David Suchet and Lia Williams (Duke of York's 071-838 5122).

Time of My Life: Alan Ayckbourn's new bitter-sweet drama of middle-class family life in a northern city, with a cast led by Anton Rogers and Gwen Taylor (Vaudeville 071-838 9987).

For ticket information about West End shows, phone Theatreline from anywhere in UK: Plays 0836 430850 Musicals 0836 430860 Comedies 0836 430861 Thrillers 0836 430862. Most London theatres are closed on Sunday.

Opera/Dance: Sadler's Wells Glyndebourne Touring Opera opens a three-week season tonight with Peter Hall's production of Don Giovanni. Repertory includes Hytner's production of *La clemenza di Tito* and the British premiere of Siegfried Matthies' *Cornet Rikie's Song of Love and Death* (071-278 8916).

Convent Garden: The opening month of the Royal Opera's 1993-4 season has two revivals: *Madama Butterfly* (with Diana Soviero and Neil Shicoff) and *L'italiana in Algeri* (Marilyn Horne and Ruggiero Raimondi). Conducted by Carlo Rizzi. First new production is *Meistersinger*, opening on Oct 8 with John Tomlinson as Hans Sachs (071-240 1068).

Coliseum: This month's ENO repertory consists of two revivals (Simon Boccanegra with Gregory Yonish and Janica Calms, Street Scene with Josephine Barstow and Lesley Garrett) and a new production of *La bohème*, staged

by Steven Pinnott and conducted by Stan Edwards, with Roberto Alexander as Mimì (071-936 3161).

CONCERTS: Barbican Tonight: Cecilia Bartoli sings Vivaldi and Handel with Academy of Ancient Music conducted by Christopher Hogwood. Tomorrow: Tadeaki Otaka conducts Yomiuri Nippon Symphony Orchestra in Rakhmaninov's Second Piano Concerto (John Lill) and Second Symphony. Mon: Colin Davis conducts London Schools Symphony Orchestra. Tues: 1925 silent film *The Phantom of the Opera* with live orchestral accompaniment. Wed: symphonic music from Mexico. Next Thurs: Michael Tilson Thomas conducts opening concert of LSO 1993-4 season, with soprano Maria Ewing (071-638 8891).

South Bank Centre Sat: 75th birthday tribute to Ella Fitzgerald with Tommy Whittle Quartet and others. Sun: Giuseppe Sinopoli conducts Philharmonia Orchestra in works by Wagner and Bruckner, with soprano soloist Margaret Price. Mon: Berthold Goldschmidt 90th birthday concert. Tues: Yuri Temirkanov conducts RPO in Wagner, Mahler and Shostakovich, with mezzo soloist Ann Murray. Wed: Suzy Bogguss, American country singer (071-928 8800).

### PRAGUE

FESTIVAL OF MUSIC: The Czech capital has built an autumn music festival around the distinguished violinist Josef Suk,

consisting mainly of recitals and other small-scale events. This year's festival (Sep 20-Oct 5) features a strong dose of Beethoven, Bach and Mozart, alongside Czech composers.

In addition to the Suk Chamber Orchestra, artists include Yo Yo Ma, Maurice André, Cecilia Licad, Rudolf Buchbinder, Viktoria Mullova, Shlomo Mintz, Renato Bruson and Sándor Vagh. A choral concert on Sep 25 pairs Schubert's *Mass in G* with a Stabat Mater by Johann Baptist Vanhal. Bookings from Festival of Music Prague, Cs armady 12, 160 00 Prague (tel 02-526583) or Bohemia Ticket International, Salvatorova 8, 110 00 Prague (fax 02-231 2271).

### OTHER EVENTS

Vaclav Neumann conducts the Czech Philharmonic Orchestra tonight and tomorrow at Dvorak Hall in works by Husa and others with cello soloist Gustav Rivinius. Next week's concert features Dvorak's oratorio *Saint Ludmilla* (02-288 0111). The Prague Symphony Orchestra's winter programme opens next Tues and Wed at Smetana Hall with Beethoven and Mahler conducted by Martin Tumulsky (02-232 2501).

Repertory at Prague State Opera includes *Rigoletto*, *Un ballo in maschera*, *La traviata*, *Jenufa*, *Tosca*, *Il trovatore* and *Così fan tutte* (02-265353). The National Theatre has *La bohème*, *Don Carlo*, *Rusalka*, *The Kiss* and *The Bartered Bride* (02-205364). The Estates Theatre has *La nozze di Figaro* on Sep 22 and Don Giovanni on Sep 29 (02-228658).

### ARTS GUIDE

Monday: Berlin, New York and Paris.  
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.  
Wednesday: France, Germany, Scandinavia.  
Thursday: Italy, Spain, Athens, London, Prague.  
Friday: Exhibitions Guide.

European Cable and Satellite Business TV (All times are Central European Time)

MONDAY TO THURSDAY  
Super Channel: European Business Today 0730; 2230  
Monday Super Channel: West of Moscow 1230.  
Super Channel: Financial Times Reports 0630

Wednesday Super Channel: Financial Times Reports 2130

Thursday Sky News: Financial Times Reports 2030; 0130  
Friday Super Channel: European Business Today 0730; 2230

Saturday Super Channel: Financial Times Reports 0630

Sky News: West of Moscow 1130; 2230  
Sunday Super Channel: West of Moscow 1830  
Super Channel: Financial Times Reports 1900  
Sky News: West of Moscow 0230; 0530  
Sky News: Financial Times Reports 1330; 2030



# Reports of unions' death are exaggerated



The widespread assumption across a large area of UK political thinking is that trade unionism, as we know it, is dead. Like socialism, the argument goes, it belongs to the age of collectivist philosophy that has run its course and has given way to an overwhelming individualism, propelled by, if not dependent on, new technology.

The industrial powers of the world are increasingly seen as warehouses of information technology, rather than centres of great manufacturing units employing tens of thousands of workers in one group of factories. Phrases like "post-Fordism" and even "post-capitalism" are used to describe the contemporary scene and to justify the argument that trade unions can be placed alongside the dinosaur in museums: relics of a bygone age.

It is a seductive line of thought, to be sure, but I do not subscribe to it. An alternative theory can be quite effectively presented: the technological revolution may have destroyed the old, simple, collectivist industrial base on which powerful trade unions like the miners established their influence. But, in doing so, modern industry has also created a new need - which is for a more effective democratic voice to espouse the case for social justice in this new era of technological production. Without such a voice, and a well-based platform, there could be a significant growth in social, political and economic tensions that would tear at the whole social fabric. The dangers are already evident. So it is in this area that modern trade unionism should have an important, even a crucial, role to play.

In short, new technology, with its revolutionary impact on work, may have fragmented (and made redundant) large tracts of the old industrial working class, but it has also created serious problems that a modernised trade union movement ought to be ideally equipped to tackle. It is in this sphere that an intelligent government would begin to explore a new dialogue with

## THE TRADE UNION QUESTION IN BRITISH POLITICS - Government and Unions since 1945

By Robert Taylor  
Blackwell (for the Institute of Contemporary British History).  
£13.99 paperback, £37.50 hardback, 406 pages (paperback)

the trade unions. One thing is clear, and comes powerfully from the pages of Robert Taylor's excellent book: the trade unions have been unjustly blamed for their alleged role in contributing to national decline. Taylor, who is labour correspondent at the Financial Times, examines the nature of these charges - and he rejects the argument, convincingly. It is the best account of the government-trade union relationship for a long time.

Taylor argues that the failures of UK capitalism, compared, say, with Germany or Scandinavia and certainly with the US, stem from a complex range of inherited causes, underscored by the culture of 19th-century industrial and social attitudes in Britain and its *laissez-faire* presumptions.

The trade union responses to these mores were always defensive - hardly at all revolutionary or even markedly political. They were a reflection of an inadequacy of vision among politicians and industrialists - a reflection, not a cause. As Taylor observes: "Whatever politicians and employers might have desired, Britain's trade unions continued to remain in the postwar world what they had always been - insecure, voluntary bodies at the mercy of the often fickle and divided moods of their own members and the uncertain and often harsh fluctuations of the labour market."

And he adds that too many political leaders, and others, used the trade unions with their imperfections as an excuse to divert attention away from more fundamental reasons for economic decline.

Taylor explains the distrust the Trades Union Congress as an institution had for the state; how the TUC leaders resisted even the Attlee government in its attempts to bring the trade union machine more inti-

mately within the corpus of state power and authority.

Of course, the trade union leadership made many mistakes in 1945-51 before the Conservatives returned to office. There was an ambivalence about the role of the unions in the newly nationalised industries; and there was confusion about the role of unions trying to maintain "free collective bargaining" in an increasingly planned economy run by a friendly government. There were constant crises between the TUC and a succession of Labour governments over incomes policy - and ultimately the ending of the "friendly relationship" with the collapse of the Callaghan government in 1979.

As Taylor asserts, all these crises were part of "the never-ending dialectic between freedom and control, between workplace autonomy and state intervention". The Churchill, Eden and Macmillan Conservative governments of the 1950s and early 1960s all accepted the essential role unions had to play in collective bargaining and sensible industrial relations. Indeed Harold Macmillan often made a virtue of his affection for trade unionism.

Curiously, the rot probably set in during the Wilson years - especially after the devaluation of 1967. Yet in 1964 the scene had been set for a Grand Consensus with George Brown's Declaration of Intent - a kind of "charter of principles" agreed between government, Confederation of British Industry and TUC. In fact too much responsibility was put on the shoulders of union leaders to deliver a pay policy which they never had the power to hand to any government.

Eventually, through the Heath years, it all led to Margaret Thatcher's crusade against trade unionism. Yet today, as Taylor cogently argues, Thatcherism is no longer enough for a society in the throes of vast changes. The unions remain an essential ingredient within any democratic society.

Geoffrey Goodman

The reviewer is former assistant editor and industrial editor of the Daily Mirror

For a country concerned about perennial trade deficits with Asian countries, the US has been assiduous in depriving itself of commercial access to one of the region's fastest-growing economies.

President Bill Clinton's decision on Monday to maintain the US economic embargo against Vietnam has again frustrated the hopes of American companies as they try to exploit Vietnamese business opportunities not yet grasped by Asian and European rivals. The timing of the announcement - 6pm on the day that Israel and the PLO signed their historic peace agreement in Washington - showed clearly how reluctant Mr Clinton remains to seize the Vietnamese nettle.

The continuation of an embargo dating from the end of the Vietnam war in 1975 is particularly galling for the dozens of US executives poised to start work in Hanoi or Ho Chi Minh City (formerly Saigon), because Vietnam had kept aside some projects - in the oil industry, for example - in the expectation that sanctions would be lifted.

"I can look at her but I can't kiss her," said Mr Kent Accord, a Mobil vice-president, on a visit to Hanoi. He was referring to the Blue Dragon, an offshore Vietnamese oil concession that Mobil is bidding to assess and exploit.

Vietnam's eagerness to welcome Americans stems partly from the communist government's desire to counter the expanding regional political power of China and the commercial influence of Japan. It is also a side-effect of the Vietnam war, during which the South Vietnamese who lived and sometimes fought alongside US soldiers became accustomed to American cigarettes, soap and trucks.

Everything from Coca-Cola and tinned ravioli to Hollywood videos and pirated computer software is imported or smuggled into Vietnam from its neighbours. Many of the trucks from the war era are still running.

American goods still have cachet in a country described by US businessmen in Hanoi as "by far the most attractive market in the world" or, alternatively, "one of the most dynamic and promising markets in Asia". Last year Vietnam's economy grew by more than 8 per cent in real terms, and is forecast to grow by as much again this year, as the country tries to emulate the export-led achievements and

# Look east - but don't touch

Victor Mallet says Vietnam is still out of bounds for US companies as their competitors clean up

industrialisation of its Asian neighbours.

Since 1985, the government has undertaken a programme of reform known as *doi moi* (renewal), aimed at changing a communist command system into a market-driven economy. The government says it needs foreign investment of \$20bn to modernise its economy by the end of the century, of which it expects about \$12bn from foreign direct investment and a further \$8bn from foreign government and institutional aid.

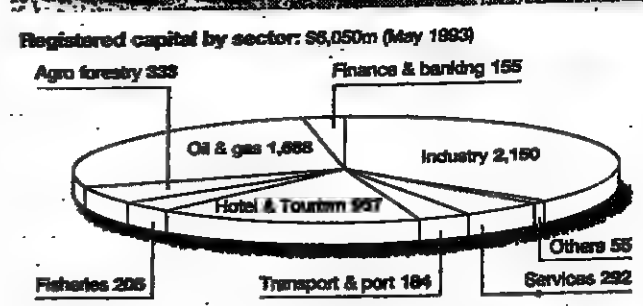
Foreign companies have already been granted licences for more than \$6bn-worth of projects. Singaporean enterprises are building hotels and changing the skyline of the capital Hanoi and Ho Chi Minh City. Vietnamese are constructing industrial estates where exporters can locate factories. Japan is investing in food processing and manufacturing. The French and the Australians are building telecommunications networks.

The Americans, however, are languishing on the sidelines. A few companies, including Coca-Cola, signed contracts in the hope that Mr Clinton would lift the embargo, but at the moment they are prohibited from fulfilling them.

Some US executives ascribe the continuing ban to the political clout wielded in Washington by pressure groups representing the families of US servicemen missing in action during the Vietnam war. The lobbyists believe Vietnam is hiding information about 100 or so unresolved cases, although the Pentagon says progress is being made on this issue.

American executives find little comfort in Mr Clinton's decision to allow US companies to compete for contracts funded by international agencies such as the World Bank. "Most US business would still be effectively closed out of the Vietnamese market," said a position paper prepared by US companies and handed to visiting congressmen recently. "In

## Vietnam 70m on their way to the market



most cases, the areas where US business has a comparative advantage are high technology and are generally not infrastructure projects of the sort funded by international institutions."

"The Vietnamese have been willing to leave the door open to US participation"

Oil exploration and banking are two sectors where US companies feel vulnerable to delay, because only a limited number of openings is on offer to foreigners in each industry. Mobil and Amoco have already watched one important

oilfield contract go to BHP Petroleum of Australia, which is leading a consortium to exploit the Big Bear field off the south coast. A decision on the Blue Dragon concession nearby is expected to be made by early next year. "They are getting closed out of lease after lease," said one US businessman.

In computers, IBM is itching to service foreign companies in Vietnam - many of them already IBM customers elsewhere - and to develop the local market.

Mr William Howell, IBM's chief representative in Vietnam, said international banks were waiting for IBM to be allowed to install its equipment in their Vietnamese branches, but "it's only a matter of time before they are

forced to buy from other suppliers", he said.

In telecommunications, France's Alcatel and others are establishing mobile telephone and paging systems while Motorola executives twiddle their thumbs. "Ho Chi Minh City and Hanoi need these systems," said Mr Greg Cragg of American Service Co, a consultancy which represents US companies. "They can't wait."

The same is true for owners of the ageing, black Russian Volga cars used in Vietnam, who are now replacing them with Toyotas and Hondas. Chrysler has been fighting a rear-guard action to try to ensure access for US car-makers, especially for four-wheel-drive vehicles. To its dismay, the job of preparing a master plan for the development of the entire Vietnamese auto industry has gone to Mitsubishi of Japan.

The tragedy for the US, according to Vietnamese businessmen and officials and the growing US business community, is that the Americans are shutting themselves out of the last significant market in south-east Asia.

"The Vietnamese have demonstrated this willingness to leave the door open to US participation in key sectors," said Mr Cragg, "and were encouraged when they saw that contracts could be signed following an earlier easing of the embargo. They have done that at the expense of equally qualified Asian, Australian and other companies. And now they can't wait any longer."

Since the US lifted its objections to multilateral funding for Vietnam in July - which the country needs to repair ports and roads to support its economic recovery - the US business community rather than the Vietnamese government has made the loudest pleas for ending the embargo.

Some western diplomats and businessmen believe sanctions may be eased further by the end of the year, when Mr Clinton may have cleared his desk of more pressing legislative issues such as healthcare reform and the North American Free Trade Agreement. By then, they fear US corporations may have lost the advantages they once had.

For almost two decades the Vietnamese have accused the Americans of using the embargo to punish them economically for having won the war; these days, as Vietnam's economy grows without them, many Americans are asking why they are punishing themselves for having lost it.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### FO aware of needs of exporters

From Mr Alastair Goodlad.

Sir, May I assure the president of the Export Group for the Constructional Industries (Letters, September 8) that the Foreign and Commonwealth Office is well aware of the commercial potential of the former Soviet Union and Baltic states. Our exports to the area for the first seven months in 1993 show an increase of 64 per cent over the same period in 1992. We currently have posts in nine of the 15 countries there, four of them opened in the last year. The six countries where we have no resident missions are all covered by other posts. We would hope to open other missions as funds become available. The first priority of these posts is to help British exporters, in particular by establishing close relations with the local government.

We recognise the excellent contribution which the construction industry has made to British exports and know of its interest, not just in the former Soviet Union but in other important markets such as the Asian Pacific Rim and the Middle East. We are acutely aware of the requirements of British exporters for diplomatic posts and staff, and will be examining, in the light of the outcome of the current public expenditure round, how we can best respond to them.

Alastair Goodlad,  
Foreign & Commonwealth Office,  
London SW1A 2AH

### Steel subsidised at a high cost to UK

From Dr D Tordoff.

Sir, It is not only in British Steel's direct interests that an EC industry restructuring plan is speedily achieved and state subsidies eliminated (Lex: "Steel determination", September 13). It is also in the interests of British Steel's customers.

As a UK steel user representative on the EC Consultative Committee, we believe it is clear that market distortions take place throughout Europe and beyond which make a mockery of a "level playing field".

In my own industry, steel construction, we have lost well over 150 UK companies and 50,000 jobs in this recession and have to fight for every new construction project. Yet how do we compete with foreign steelwork fabricators who are able to buy subsidised steel from their state-owned steel

companies (eg in Italy and Spain) in order to undercut UK companies for UK bridge contracts?

We are now losing out to steelwork of uncertain quality from eastern Europe in a UK government building project! The new Inland Revenue Amenity Building in Nottingham is to use non-certified Polish steelwork for its complex roof structure - is this called "biting the hand of the economy that feeds you"?

Buying from such sources might save a few percentage points in first cost - but at what total cost to the UK economy and the consequences for direct and indirect employment?

Derek Tordoff,  
The British Constructional Steel Association,  
4 Whitehall Court,  
Westminster,  
London SW1A 2ES

### Too one-sided a presentation

From Mr Barry Topf.

Sir, While the need to provide a brief summary of complicated events can lead to a less than exhaustive history, the "chronology of the [Middle East] conflict" in your August 31 edition is nothing less than a distortion of history ("Peace plan poised on a hair trigger"). Summarising the 1948 Arab rejection of the UN partition plan, and Israel's war of independence against the invading armies of surrounding Arab states as "First Arab-Israeli war, Israel annexes large por-

tions of proposed Arab state in Palestine" is bad enough. Ignoring acts of war initiated by Arab states in 1967, the threat to Israel's existence in June 1967, and the defensive nature of the Six-Day war by presenting it as "Israel attacks Egypt, Syria and Jordan" is either a slavish presentation of false propaganda, or an insult to your readers' knowledge and intelligence, or both.

Barry Topf,  
Rechov Hamalach 8,  
Old City,  
Jerusalem, Israel

### Arts Council grants not biased against regions

From Mr Anthony Everitt.

Your architecture correspondent caricatures the work of our architecture unit and misleads your readers with a prejudiced account of its grants ("Council misses the point", September 13).

There is no London bias and no bloated bureaucracy. Thirty-four out of 36 recent awards will benefit the public in the English regions; as to "offices, personnel and the inbreeding of arts bureaucrats", your critic may be reassured, since the architecture unit consists of just two per-

sons. (Our distinguished advisory group gives its services free of charge.) Your correspondent takes us to task for our apparent disdain of history, but a glance at our grants shows this to be untrue. A modest grant of £1,000 to the Georgian Group, for example, will help it create a touring exhibition looking at the design of today's cities and their Georgian predecessors.

With our valuable sponsors, English Estates, we see the benefits of encouraging the public to take an educated interest in the art of architec-

ture in the context of large-scale building developments. That is why we have jointly supported proposals to create an architecture centre in the east Thames corridor and in eight other regions of England.

All of these things your correspondent might have discovered for himself had he bothered to inquire. Anthony Everitt,  
secretary-general,  
The Arts Council of Great Britain,  
14 Great Peter Street,  
London SW1P 3NQ

### A doubtful attachment

From Mr John D Harris.

Sir, The chief executive of Lloyd's of London likens the introduction of new rules on corporate membership to the attachment of stabilisers to a motorbike (Observer: "City biker", September 14).

Many may think that any rider who needs stabilisers should seek a vehicle more suited to his riding skills. John D Harris,  
The Green,  
Easton,  
Nr Winchester,  
Hampshire SO21 1EG

### Ofgas must keep teeth

From R R Stein.

Sir, One way for British Gas to protect its monopoly is to seek regulation of the regulator ("British Gas demands curbs on regulator", September 7). British Gas spends a great deal of time, money and resources on public relations and political lobbying. I am sure that it would like a more comfortable relationship with its regulator so it could take full advantage of the situation.

Even if its market share is reduced to 25 per cent in due course, British Gas will continue to wield immense power over the UK's gas industry. As mentioned by the Monopolies and Mergers Commission, Ofgas under Sir James McKinnon has had a positive impact, bringing down British Gas charges for gas transportation and price in the tariff market. I find it hard to imagine that without Sir James's no-nonsense approach British Gas would have brought down prices of its own accord.

I hope his successor proves to be equally tenacious and committed. Although the MMC has opened the door to competition a bit further, it still leaves a lot to be done. There is a danger that the flames of competition just unleashed in the gas market will be extinguished. We will need a "Sir James" more than ever.

R R Stein,  
gas marketing director,  
British Fuels,  
Cannock House,  
Otley Road,  
Harrogate HG3 1RF

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view of bad news. So it's heartening to read the invitation from the Institute of Public Relations to delegates to attend a conference being held in Orlando in November: "Come to Florida with the IPR this autumn for an event to remember."



Monetarist group urges change of course soon

## US Fed is warned of 'asset price bubble'

By Michael Prowse  
in Washington

THE US Federal Reserve is pursuing an irresponsibly expansionary monetary policy and creating a bubble in bond and share prices, according to a group of US monetarists.

If it does not change course soon, the US will face an "asset price bubble" similar to that which destabilised financial markets in Japan in the late 1980s, the group says.

In recent days, however, the bull market has shown signs of fragility. A sharp fall in bond prices on Tuesday and Wednesday pushed the yield on the long bond back above 6 per cent. Share prices also retreated.

The critique comes from the shadow open market committee, a group of economists set up 20 years ago to challenge conventional wisdom on US monetary policy.

The monetary base has risen 11 per cent in the past year - double the rate of growth of nominal gross domestic product of 5 to 5.5 per cent - Professor Allan Meltzer of Carnegie Mellon University, the head of the group, said this week, as the committee published its twice-yearly report. The economy was thus awash with

THE Southwest Bank of St Louis, which has acted as a bellwether for bank lending rates in the US, yesterday cut its prime rate by ¼ of a percentage point to 5.75 per cent, its first cut since July 1992.

Most other banks failed to follow suit, and several of the biggest commercial banks said they had no intention of cutting their prime rates. However, after two years in which US banks have rebuilt their lending margins, the move seemed an early sign that loan margins are likely to come under pressure soon.

Margins grew from just over 4 per cent in 1990 to 4.5 per cent last year, partly because banks widened spreads to rebuild reserves. The position of most banks has improved but they are still finding weak loan demand.

Liquidity, most of which had found its way into financial markets.

Long bond yields have fallen steeply, Prof Meltzer claims, not because of confidence that inflation will remain low but because, with growth of reserves far exceeding loan demand, excess cash is being used to purchase government securities.

"We believe the Fed has delayed too long in responding to

an emerging bubble in asset prices," he says. "The time has long passed when the Fed should have tightened monetary policy."

The criticism that Fed policy is too lax runs counter to the views of many mainstream economists who argue that the Fed ought to consider cutting rates further to stimulate a still sluggish economic recovery. Those wanting the Fed to be more expansionary complain that M2, the main measure of broad money, has barely grown at all in recent years.

Prof Meltzer and colleagues prefer to focus on narrow measures of the money supply, such as the monetary base which consists of currency in circulation plus banks' reserves with the Fed. Unlike M2 this measure has not been distorted by a shift from bank deposits to money market instruments in recent years.

The initial impact of excessive growth of the monetary base is to raise asset prices. But it will eventually feed through into higher consumer price inflation, the group warns. The Fed has thus been lulled into a false sense of security.

"We urge the Fed to slow the growth of the monetary base by 3 percentage points to an annual rate of no more than 5 per cent," says Prof Meltzer.

## Rise in UK inflation hits bond and equity markets

By Peter Marsh in London

A SHARP increase in UK inflation yesterday increased the pressure on the government's economic strategy and sparked big falls in London bond and share prices. The FT-SE 100 index of leading equities suffered its biggest setback for seven months and the gilt-edged securities market had its worst day since sterling left the European exchange rate mechanism a year ago today.

News that the retail price index rose in the year to August by 1.7 per cent, up from 1.4 per cent in the 12 months to July, came the day after government ministers imposed a near-freeze on public-sector pay next year on the grounds that inflationary pressures were weak.

The change between July and August in the year-on-year retail inflation rate was the highest

monthly increase since November 1991. It was triggered by a broadly based rise in prices of retail goods and services, particularly affecting clothes, shoes and household goods.

The Treasury's favoured measure of underlying inflation - the year-on-year increase in the index excluding mortgage interest payments - edged up to 3.1 per cent in August from 2.9 per cent in July to its highest level since March.

As a result of changed perceptions among UK investors about the outlook for inflation, the weakness of which has helped prolong the recent London share and bond rally, the figures hit both markets. With long-dated gilts closing down 2 points, investors also sold equities, pushing the FT-SE 100 down 38.6 to 2899.4.

Investor nervousness about the

UK economic outlook was heightened by separate Central Statistical Office figures indicating barely visible growth in retail sales volumes in August, and by weaknesses in share and bond prices across the rest of Europe prompted by worries about the effects of high interest rates and poor corporate earnings.

Sterling lost ground against the D-Mark, closing last night at DM2.4725, down more than 1 pence. Against a weak dollar, it strengthened by half a cent to \$1.5515.

The news increased speculation that Mr Kenneth Clarke, chancellor of the exchequer, may have difficulties keeping the underlying measure within the bottom half of the Treasury's 1-4 per cent target range.

Manufacturing pay, Page 5  
London shares, Page 29

## Controls on capital raised by Delors

Continued from Page 1

vigorous measures to rebuild the ERM, "prevent speculative shocks" as he put it yesterday, and get ERM back on track.

European monetary officials have suggested that with the possible exception of the Belgians,

there was no enthusiasm for the reintroduction of exchange controls at this week's meeting of EC finance ministers in Brussels.

Mr Kenneth Clarke, the UK chancellor of the exchequer, reiterated his scepticism about the introduction of capital controls when talking to leading British

financial and industrial figures earlier this week. Asked whether he thought capital controls should be introduced as a means of stabilising exchange rates, Mr Clarke said: "My advice is: forget it." Currency analysts were also highly critical yesterday of Mr Delors' comments.

## Optimistic Arafat claims a new friend in Clinton

By Roger Matthews, Middle East Editor, in London

MR Yassir Arafat, chairman of the Palestine Liberation Organisation, returned from the US to his headquarters in Tunis yesterday declaring that a Palestinian state was within reach and that he had discovered a new friend in President Bill Clinton.

The PLO leader said he hoped to travel to Jericho in the Israeli-occupied West Bank within 10 weeks to begin setting up the new Palestinian authority agreed in the declaration of principles signed with Israel in Washington on Monday.

"After that will come a Palestinian state with Jerusalem as its capital and in confederation with Jordan," he said.

The PLO-Israel accord provides only for limited Palestinian autonomy in the Gaza Strip and Jericho which will later be broadened to include most of the West Bank.

Negotiations on the final status of the occupied territories, including the future of Jerusalem, which has been annexed by Israel, will not begin until the third year of the five-year period of autonomous Palestinian rule.

Israel and the US remain opposed to the concept of an independent Palestinian state. They will continue to press for Palestinian self-determination to be expressed within a confederation with Jordan.

However, Mr Arafat said his talks with Mr Clinton had been "cordial, friendly, positive and fruitful. I can say that the Palestinian people have an important friend in the White House."

Mr Yitzhak Rabin, Israel's prime minister, had earlier returned home from Washington to warn Syria against aiding groups which opposed the peace process.

He accused the Syrians of supporting Islamic radicals in Lebanon and providing shelter in Damascus for 10 hostile Palestinian groups.

"One hand is supposedly outstretched to peace while the other hand opens fire," he said in a broadcast on Israeli radio before the four-day Jewish new year holiday.

The Israeli premier also defended the deal struck with the PLO. "It seems to me that in this agreement we are taking the smallest chance," he said.

Israeli security forces were placed on alert yesterday in anticipation of attacks during the holiday by opponents of the Israeli-PLO peace accord, police and the army said.

Israel has barred nearly 1m Palestinians from leaving the Gaza Strip until Sunday. The army will also limit the number of Palestinians allowed to enter from the West Bank.

Jordan's trade fears, Page 6

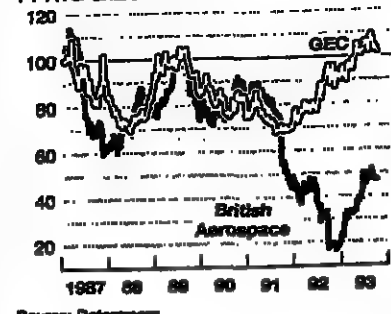
## THE LEX COLUMN

### Pockets of resistance

FT-SE Index: 2999.4 (-38.6)

BA and GEC

Share prices relative to the FT-SE All-Share Index



nor must surely tell over time. Any imposition of VAT on newspapers will further exacerbate the strain. As it was, MGN's cover-price revenue fell fractionally to £150m in the half-year. Impressive though they are, recent improvements may not alter a trend which has seen Daily Mirror circulation fall 40 per cent in the past 30 years. Once the recovery momentum exhausts itself, investors will look to yield to underpin the shares. But gearing of 85 per cent will permit no more than a modest dividend next year.

#### English China Clays

For all its ambition in speciality chemicals, English China Clays is shackled to the business its name describes. Yet supplying kaolin to paper makers is thankless when the industry is hit by recession and over-capacity. Since many ECC customers are in countries with weak currencies, even sterling's exit from the ERM brought scant relief. The bleak message is that attempts to hold the line on pricing have been abandoned. Margin benefits from earlier rounds of rationalisation have been lost.

While that justifies ECC's decision to look for growth elsewhere, the commitment to pay an unchanged dividend which accompanied June's rights issue now looks a burden. Sales of surplus land underpin the cash cost of the pay-out, but it may not be covered by earnings. The picture is worse if profits from disposals and building materials, which is to be demerged, are stripped out.

Demerger might get ECC out of a tight spot, as it did for ICI. Loading building materials with more than its

fair share of the dividend would provide relief for the parent without loss of face. But that relies on a recovery in aggregates, which is far from certain. The gamble then is that ECC can buy or conjure earnings growth before the cracks start to show.

#### Lasmo

Lasmo is putting a brave face on it, but there is no disguising its distress at the current oil price. Without its £13m exceptional provision release, operating profit would have been flat in the first half. Since then the oil price has fallen further.

Lasmo prefers to look at cash flow, since its profits are depressed by the high depreciation charge on assets - such as Piper - for which it overpaid in the past. Even on this basis, though, it looks squeezed. Its projections assume an oil price around \$10 next year. If the price stays around \$16, cash flow will suffer to the tune of around \$50m, equivalent to its entire exploration budget for next year. There is little scope for further savings, but it is hard to believe Lasmo would be prepared instead to jeopardise its future by abandoning the search for replacement assets. A more rational approach, if the going remains tough, would be to recapitalise with a rights issue that would allow expensive older assets to be sold off at a loss. Doubtless Lasmo hopes it will not come to that - not least because its promise to maintain a dividend it cannot really afford would then look doubly rash.

#### UK markets

It took expectations of strong earnings growth and lower gilt yields to drive UK equities to their recent peaks. Now these assumptions have been called into question on both fronts. Disappointing results from English China Clays and British Aerospace suggest earnings hopes have run ahead of reality, while bond markets in the UK and the US are suffering a bout of inflation jitters. It is dangerous to read too much into one month's price data, but the risk to the virtuous circle is particularly acute in the UK. If world bond markets lose their nerve, the government's deficit will become much harder to finance. Gilt market weakness would be quickly transmitted to equities as well as the exchange rate. One must hope this morning's PSBR number is not another nasty surprise.

## The leading edge in Asia Pacific

This announcement appears as a matter of record only.

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(Incorporated and registered as a public limited company in Thailand)

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**3½ per cent. Convertible Bonds due 2003**  
**Issue Price: 100 per cent.**

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## FT WORLD WEATHER

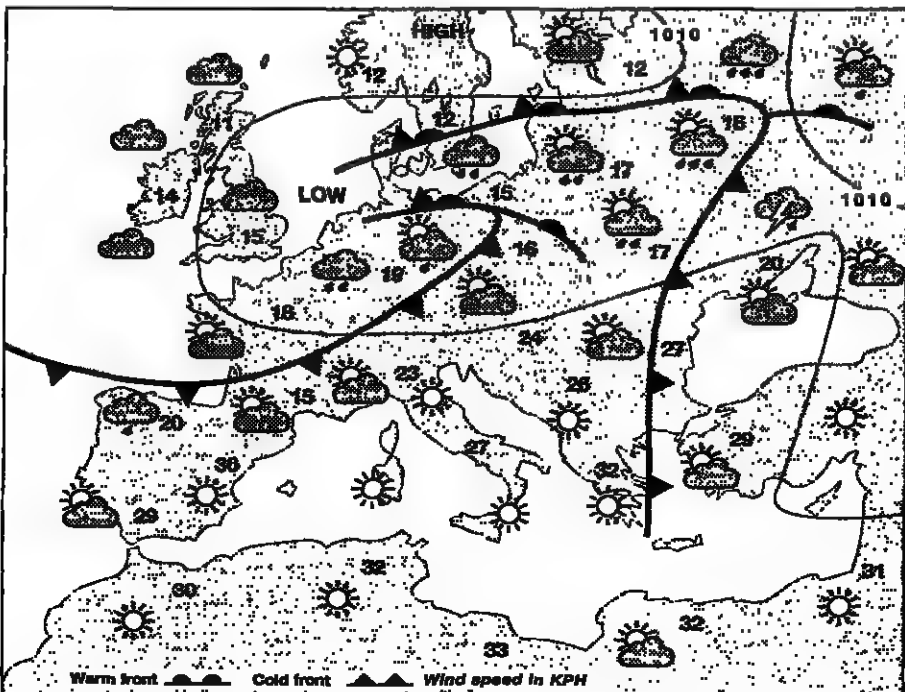
### Europe today

A region of low pressure will remain from Denmark to the eastern CIS. A new vigorous low is expected to track towards the old depression with the lowest pressure expected near the Netherlands. Cool and changeable conditions will continue from the British Isles to the CIS. Most rain is expected in Denmark, Germany and Poland. France will be mainly cloudy with only a few afternoon clear spots. Cloud will reach Spain, but the south-east will stay rather warm and sunny. Rain will reach north-west Spain in the afternoon. Most of Italy and former Yugoslavia will be warm and sunny. An old frontal zone will cause passing clouds over south-eastern Europe.

### Five-day forecast

The zone of low pressure will move east, bringing rain to northern Poland, the Baltic States and Finland. In north-western Europe, a weak ridge of high pressure will produce slight improvement and higher temperatures on Friday.

By the weekend, a storm from the Atlantic will cause rainy and windy conditions over Ireland and eventually will lower temperatures and produce changeable weather over north-west Europe early next week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

### TODAY'S TEMPERATURES

	Maximum	Minimum	Weather	Temp
Abu Dhabi	39	31	cloudy	31
Accra	31	24	cloudy	24
Algiers	32	24	sun	24
Amsterdam	15	10	rain	10
Athens	30	24	fair	24
B. Aires	23	18	sun	18
Bham	14	10	cloudy	10
Bangkok	33	28	sun	28
Barcelona	25	18	sun	18
Beijing	29	20	sun	20

Situation at 12 GMT. Tempera		
Gairdifi	cloudy	14
Chicago	sun	19
Cologne	rain	17
D' Saleam	fair	29
Dakar	fair	28
Dallas	sun	30
Delhi	fair	32
Dubai	sun	41
Dublin	cloudy	14
Dutrobnik	sun	26
Edinburgh	cloudy	14

Frankfurt	18	showers	18
Geneva	18	cloudy	18
Glasgow	17	cloudy	17
Hamburg	18	cloudy	18
Helsinki	18	cloudy	18
Hong Kong	30	sun	30
Honolulu	31	sun	31
Istanbul	23	sun	23
Jersey	18	cloudy	18
Jakarta	32	sun	32
Karachi	32	sun	32
Kuala Lumpur	32	sun	32
Las Palmas	27	sun	27
Liège	18	cloudy	18
London	15	showers	15
Luxembourg	15	showers	15
Lyon	23	showers	23
Madrid	28	sun	28
Manila	32	sun	32
Majorca	28	sun	28

Melbourne	14	cloudy	14
Mexico City	18	cloudy	18
Monterrey	18	cloudy	18
Moscow	11	showers	11
Mumbai	32	sun	32
Nagasaki	22	sun	22
Nassau	31	sun	31
New York	27	cloudy	27
Nice	18	cloudy	18
Nicosia	22	sun	22
Osaka	15	cloudy	15
Paris	15	showers	15
Perth	23	showers	23
Prague	28	cloudy	28
Rangoon	34	cloudy	34
Reykjavik	10	cloudy	10

Rio	30	sun	30
Riyadh	41	sun	41
Rome	24	sun	24
S. Francisco	14	sun	14
Saou	23	cloudy	23
Singapore	32	thund	32
Stockholm	23	sun	23
Strasbourg	21	sun	21
Taipei	20	sun	20
Taipei	27	sun	27
Tokyo	27	sun	27
Toronto	18	sun	18
Tunis	24	sun	24
Vancouver	17	sun	17
Venice	34	sun	34
Vienna	11	sun	11
Warsaw	18	cloudy	18
Washington	27	sun	27
Wellington	18	sun	18
Wien	12	sun	12
Wien	12	sun	12
Zurich	19	cloudy	19

Remember FT Diaries for 1994

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## INTERNATIONAL COMPANIES AND FINANCE

## VW warns on impact of forecast shortfall at Seat

By Christopher Parkes in Frankfurt

THE expected DM1.25bn (\$781m) loss at Spanish subsidiary Seat will have a "considerable impact" on the Volkswagen group's earnings this year, the German company said yesterday.

It said an emergency cash injection of DM1.5bn would not have an immediate effect.

Officials would give no firm forecasts, but maintained that the German parent company would break even.

Mr Ferdinand Piëch, group chairman, yesterday told workers at the main Wolfsburg plant that the parent and the group would make a profit in the third quarter.

Meanwhile, analysts said any "lingering illusions" that the group could cancel out the first-half loss of DM1.6bn and break even this year had evaporated. VW shares dropped DM11 to DM350.50 yesterday in a falling Frankfurt market.

New figures produced by Mr Piëch on vehicle deliveries so far this year showed little improvement to support recent claims that orders were improving steadily.

Total group deliveries to customers for the eight months to the end of August were 2.1m, 13 per cent lower than in 1992. Even though the figure for Germany was 24 per cent lower at 651,000, home market share had risen 0.4 per cent to 20.5 per cent.

Deliveries in the rest of western Europe were down 20 per cent at 704,000, and market share was 16.5 per cent.

He gave no figures for North America or Asia, where the group recently admitted it was having difficulties. The new Golf, made in Mexico, is finally filtering into the US. It had been launched in California, the company said.

Mr Piëch, who has steadily

back-pedalled on earnings forecasts for this year, yesterday also appeared to throw doubt on plans to build a new small car, the Chico, in Wolfsburg.

This was still the aim, but only if "production costs at the plant can be reduced to compare with those on a green-field site", he said.

Mr Otto Ferdinand Wachs, a senior spokesman, said the group "understood" the decision by Mr Günter Rexrodt, the federal economics minister, to abandon his role as peace-maker between VW and Adam Opel in their row over alleged industrial espionage.

Opel was clearly not prepared to talk and Mr Rexrodt had recognised there was nothing to be done.

The minister, speaking in Brussels, claimed a good part of his aim had been achieved. He had "never mediated in a formal sense," he said.

## Deutsche Bank looks to fill in the gaps

Chief executive Hilmar Kopper outlines his equities expansion plan to Haig Simonian

DEUTSCHE Bank is poised to expand its international equity operations as part of plans to round off the foreign growth of the past 10 years.

Mr Hilmar Kopper, chief executive, said the bank did not feel "under any pressure" to make a stockbroking takeover. "But if we see a gem, we might take it, even if it's expensive," he said.

Mr Kopper said dealing in shares and derivative products was the only area in which the bank felt under-represented. "We're basically happy with the bank's structure now. There are just some geographical regions and product areas to fill in," he said. Predominant among them were equities, where the bank, especially outside Germany, did not have the same international clout it had in bonds or other banking activities.

Speaking just before a rare meeting of Deutsche Bank's 13-member managing board in

Milan this week, Mr Kopper stressed any stockbroking acquisition would have to meet the bank's strict rules on adequate return on assets. Take-over candidates were being regularly reviewed, subject to meeting the bank's return on assets criteria.

The bank saw no contradiction between its growing interest in equities and its continuing defence of German rules limiting shareholders' voting rights, and protecting companies from takeovers.

In spite of the substantial reforms passed to improve Frankfurt's standing as a financial centre, Mr Kopper said further measures, such as insider trading laws and disclosure of minimum share stakes, were still needed to bring domestic financial markets into line with the US and UK.

"I'm still a firm defender of restricting voting rights, as long as there are no other tools in Germany to maximise transparency. Once we have such



Hilmar Kopper: 'If we see a gem, we might take it'

Instruments in place, I wouldn't want to defend restrictions. Indeed, I think we would set an example ourselves," he said.

Mr Kopper said Deutsche Bank was content with its European retail banking network, meaning that acquisition-based expansion plans for France and possibly the UK were now on the back burner. However, it was still keen on expanding in Italy, where its Banca d'America e d'Italia subsidiary, bought in late 1989, expects to have 160 branches by year-end.

Although Deutsche Bank's managing board has looked at about six Italian bank acquisitions over the past 12 months, "nothing had been quite perfect," said Mr Ulrich Weiss, the managing board member responsible for Italy.

"We are quite willing to invest more in Italy," said Mr Kopper. The targets were small regional banks with a tight cluster of branches in economically-attractive regions.

Deutsche Bank was not interested in buying into the state-controlled banking or

insurance operations due to come on the market shortly under the Italian government's privatisation plans. It was keen to play a part in Italian privatisation, but remained wary of buying into any bank it felt was too big for local staff to manage, he said.

On the earnings front, Mr Kopper confirmed that net group profits this year would be broadly unchanged. There was considerable uncertainty over earnings in the domestic market in the second half.

The bank might be obliged to make substantially higher bad-debt provisions, he said.

The bank's forecast that Germany's recession had bottomed out, and for a gradual recovery early next year, meant many small companies now in difficulty could still go bankrupt if they failed to find adequate working capital for the upturn, he warned.

## English China Clays blames tight margins for slight fall

By Paul Taylor in London

ENGLISH CHINA Clays, the UK industrial minerals and construction materials group, yesterday reported slightly lower first-half profits, which it blamed on tighter margins and fierce competition in its core clay business.

The decline in pre-tax profits, to £40.3m (\$60.45m) in the six months to June 30 from an adjusted £40.8m a year earlier, disappointed the markets and fuelled a 28p fall in the group's share price, to 408p.

At the end of June, the group acquired the Calgon specialty chemical business in the US for £209.7m. It has also announced plans to demerge its construction materials division - a move expected to take place in the first half of 1994.

Earnings per share declined to 9.85p from 10.05p a year earlier. However, the interim dividend is unchanged at 6.6p, as foreshadowed at the time of the group's successful

£113.4m rights issue.

Turnover rose 7.4 per cent, to £515.1m from £479.4m. The group also managed to increase operating profits to £47.8m from £41m, although £4m of the improvement was attributable to currency movements.

Mr Andrew Teare, chief executive, said trading conditions had remained difficult in industrial minerals markets, particularly in the European paper and ceramics industries, both important markets for china clay.

The core ECC International operations reported operating profits of £38.1m, down sharply from £47.8m in the 1992 first half. This was in spite of an overall 2 per cent increase in sales volumes of industrial minerals.

The lower profits reflected a decline in margins as the group was forced to abandon its "robust" pricing policy in the face of price and cost pressures.

The impact of the lower mar-

gins more than offset the benefits of the generally lower sterling exchange rate.

Operating profits in the construction material division fell to £6.5m from £8.4m. In Europe, a 7 per cent fall in sales volumes of aggregates mainly reflected the ending of large contracts in the UK south-west.

The group has been running down its UK housing operations and completed the sale of 97 new houses in the first half, with 104 homes remaining at the end of June.

Proceeds from land sales were £13.2m, significantly up on last year. They contributed operating profits of £6.6m.

Net interest expense of £7.8m was sharply higher than the £800,000 reported in the 1992 first half.

This reflected the fixing of US dollar interest rates, the devaluation of sterling, and lower interest income on sterling cash balances.

Lex, Page 18

## Generali earmarks cash for expansion

By Haig Simonian in Milan

GENERALI, Italy's biggest insurance company, is considering spending "more than £200bn (\$310.2m)" on investments or acquisitions in "Anglo-Saxon" markets.

The outline of the move, contained in information linked to the prospectus for the impending rights issue by Generali's Allianz life subsidiary, gives no clues as to where or when the money might be spent.

Generali says a study into investments in international pension fund or reinsurance activities was "in an advanced

stage". A number of Italian insurers are believed to be examining the pension fund business in view of new Italian legislation opening the door to private pension systems.

The leaked information also reveals that parent company premiums rose 14.4 per cent, to £4,618.5m, in the first half. Senior executives have invariably played down the prospects of a big takeover. Instead, they have emphasised that the group's cash pile, shortly to be swollen by receipts from the complex Allianz deal, would be ploughed back into the business, or used for small,

sectoral acquisitions.

The prospectus shows some £440bn has gone toward building a 5 per cent stake in Banco Central Hispano-Americano, Generali's partner in a Spanish joint venture.

Included in the leaked first-half figures is information that Generali's overall proportion of claims to total premiums, including reinsurance, had fallen to about 78 per cent, against 82 per cent last year. The claims ratio was now around 72 per cent for the group's directly-written Italian business, and 80 per cent for risks abroad.

Yesterday's development shows that competition will be strong in Spain's recently deregulated data transmission market, and is indicative of the struggle awaiting competing groups when business in cellular telephones is liberalised next year.

## Job-cut costs batter profit at Simint

SIMINT, the Italian clothing group in which designer Giorgio Armani has a 20 per cent stake, reported a collapse in net profits for the year ending April 30, writes Haig Simonian. It blamed extraordinary charges and higher borrowing costs.

Net earnings fell to £1.6m (\$2.5m) from £17.4m. The dividend for ordinary and preference shares is being cut to £50 from £150. Sales rose 7 per cent to £377.5m.

Mr Luca Ramella, managing director, said the earnings fall had been expected. He stressed that operating profits had risen by 10 per cent, to £19.7m from £18.2m, in spite of a 1.7bn provision on stock and trade credits. Net operating profits fell slightly, to £33.5m from £34.1m, after a 1.6bn rise in depreciation to £16.1bn.

Mr Ramella blamed the profit plunge on one-off restructuring costs linked to the virtual halving of the group's workforce, and an increase in interest charges to £10bn.

## Telefónica returns fire in data network battle

By Tom Burns in Madrid

TELEFONICA, the Spanish government-controlled telecoms group, has countered an incursion by British Telecom into its domestic market by launching its own data transmission network.

The response to BT was signalled yesterday when Telefonica announced an agreement to supply voice and image services, as well as data, to Caja Madrid, Spain's second-ranked savings bank, which has a national network of 1,300 offices.

BT fired the opening shot in the battle when it joined forces with Banco Santander, the big domestic banking group, to

form a data transmission company aimed at capturing up to 20 per cent of the local market.

Investment in the BT venture, which will build on Santander's Megared data company, will be around £250m (\$325m) spread over 10 years.

Telefonica said its service would be delivered early next year. It was finalising negoti-

ations for similar ventures with two large domestic groups.

Yesterday's development shows that competition will be strong in Spain's recently deregulated data transmission market, and is indicative of the struggle awaiting competing groups when business in cellular telephones is liberalised next year.

New Issue  
Closing  
September 16, 1993

**Trinkaus & Burkhart Finance N.V.**  
Amsterdam, The Netherlands

**DM 150,000,000**  
**6 1/4% Deutsche Mark Bearer Bonds of 1993/2000**

unconditionally and irrevocably guaranteed by Trinkaus & Burkhart Kommanditgesellschaft auf Aktien, Düsseldorf

Issue Price: 101 1/4%  
Interest: 6 1/4% p.a., payable annually in arrears on May 10. The first interest payment for the period from September 10, 1993 up to and including May 9, 1994 will be due on May 10, 1994.  
Repayment: May 10, 2000, at par  
Listing: Düsseldorf

**Trinkaus & Burkhart**  
Kommanditgesellschaft auf Aktien

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Bank Julius Sär (Deutschland) AG	Bank Brussel Lambert N.V. (Aktiongesellschaft)	Bayerische Hypotheken- und Wechsel-Bank (Aktiongesellschaft)
Bremer Landesbank (Aktiongesellschaft)	CSFB-Effektenbank (Aktiongesellschaft)	Deutsche Apotheken- und Ärztebank eG
Deutsche Bank (Aktiongesellschaft)	Deutsche Bau- und Bodenkreditbank (Aktiongesellschaft)	DSL Bank (Deutsche Bauspar- und Landesbank)
OZB-Bank Genossenschaftliche Zentralbank AG Stuttgart	Hamburgische Landesbank - Girozentrale -	
Landesbank Schleswig-Holstein (Girozentrale)	Landesbank Baden-Württemberg (Girozentrale)	
Samuel Montagu & Co. Limited	Norddeutsche Landesbank (Girozentrale)	Raiffeisenbank Kleinwalsertal AG
Salomon Brothers AG	Schweizerische Bankgesellschaft (Deutschland) AG	Schweizerischer Bankverein (Deutschland) AG
SGZ-Bank	Stadtparkasse Köln	WZB-Bank Westdeutsche Genossenschafts-Zentralbank eG

New Issue  
Closing  
September 16, 1993

**The Council of Europe Resettlement Fund**  
for National Refugees and Over-Population in Europe  
Strasbourg/Paris

**DM 150,000,000**  
**7% Bonds of 1993/1995**  
with the option to repay in US-Dollar

Issue Price: 100.70%  
Interest Rate: 7% p.a., payable annually in arrears on September 15, 1994 and 1995  
Repayment: on September 15, 1995 at the option of the Borrower  
- by payment of the nominal amount in Deutsche Mark or  
- by payment of US-Dollar 6,000 for nominal DM 10,000

The option of the Borrower to redeem the Bonds by payment of US-Dollars expires, if during the period from September 15, 1993 to and including August 22, 1995 for two consecutive trading days the official mid-price of the US-Dollar/DM exchange rate as quoted and published by the Frankfurt foreign currency exchange equals or exceeds DM 1.86 per US-Dollar 1.

Listing: Düsseldorf and Frankfurt/Main

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Kommanditgesellschaft auf Aktien

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BHT-BANK (Aktiongesellschaft)	Commerzbank (Aktiongesellschaft)	Deutsche Apotheken- und Ärztebank eG	Deutsche Bank (Aktiongesellschaft)
DSL Bank (Deutsche Bauspar- und Landesbank)	GZB-Bank Genossenschaftliche Zentralbank AG Stuttgart		
Hamburgische Landesbank - Girozentrale -	Landesbank Schleswig-Holstein (Girozentrale)	Raiffeisenbank Kleinwalsertal AG	
Schweizerische Bankgesellschaft (Deutschland) AG	Schweizerischer Bankverein (Deutschland) AG	SGZ-Bank	
Stadtparkasse Köln	Westdeutsche Landesbank (Girozentrale)	WZB-Bank Westdeutsche Genossenschafts-Zentralbank eG	

**GOLD FIELDS OF SOUTH AFRICA LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration No. 05/04181/08)

**DECLARATION OF DIVIDEND (No. 91)**  
**UNITED KINGDOM CURRENCY EQUIVALENT**

In accordance with the standard conditions relating to the payment of dividend No. 91 declared on 17 August 1993, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of exchange of R 5.2854 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittance between the Republic of South Africa and the United Kingdom on 13 September 1993, as advised by the Company's South African bankers.

The United Kingdom currency equivalent of the dividend (No. 91) of 130 cents per ordinary share is therefore 24.8888 pence per share.

By order of the Board  
per pro GOLD FIELDS CORPORATE SERVICES LIMITED  
London Secretaries  
S.J. Dunning, Secretary

London Office:  
Greenwood House  
Fenchurch Street  
London EC3A 3BN  
15 September 1993

United Kingdom Registrar:  
Berleys Registrars  
Bourne House  
34 Beckett Road  
Beckenham, Kent SE20 8TU

A member of the Gold Fields Group

**Mass Transit Railway Corporation**  
(A corporation established by the Mass Transit Railway Corporation Ordinance of Hong Kong)

**HK\$3,000,000,000**  
(or an equivalent amount in U.S. dollars)

**Medium Term Note Programme**  
**HK\$40,000,000 Floating Rate Notes due 1995**

Notice is hereby given that the HIBOR applicable to the subject notes for the period from September 15, 1993 to December 15, 1993 is 3.375 p.a. The inclusive rate is 3.625 p.a. Coupon amount payable December 15, 1993 per HK\$500,000 note is HK\$4,518.84.

Morgan Guaranty Trust Company of New York  
Hong Kong  
As HK Reference Agent  
JPMorgan

**U.S. \$400,000,000**

**Santander Financial Issuances Limited**  
(Incorporated in the Cayman Islands with limited liability)

**Subordinated Undated Variable Rate Notes**  
with payment of interest subject to the profits of and secured by a subordinated deposit with  
**Banco Santander, S.A.**  
(Incorporated in Spain with limited liability)

Notice is hereby given, that for the interest period from September 16, 1993 to December 16, 1993 the Notes will carry an interest rate of 3.875% per annum. The amount of interest payable on December 16, 1993 will be U.S. \$2,488.28 per U.S. \$250,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.  
London, Agent Bank

September 16, 1993

**CHASE**

**A/S JYSKE BANK**  
USD 40,000,000 Subordinated Floating Rate Notes due 1994

Notice is hereby given that, pursuant to the paragraph 4 (c) of the "Terms and Conditions of the Notes", the issuer has elected to redeem at their principal amount all of the outstanding USD 15,000,000 on October 29, 1993.

The Redemption Price of the Notes will be payable on or after the Redemption Date upon presentation and surrender of the Notes, together with all unremitted coupons attached, at the offices of the Paying Agents.

On and after the Redemption Date, interest on the Notes will cease to accrue, and all coupons maturing after the Redemption Date will be void.

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R.C. No B 22250

**DIVIDEND NOTICE**

At the Annual General Meeting held on August 26, 1993, it was decided to pay a dividend of USD 0.05 (5 cents) per share on or after September 24, 1993 to shareholders of record on September 2, 1993 and to holders of bearer shares upon presentation of coupon No. 9.

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**Fidelity Investments**



INTERNATIONAL COMPANIES AND FINANCE

Two of a kind: Bankers with unique perspectives speak to David Marsh

Head of Morgan Grenfell's wider family



Mr John Craven, chairman of Morgan Grenfell, the UK merchant bank, is a British banker with a difference: he enjoys a unique inside view of Deutsche Bank, Germany's largest commercial bank. Deutsche Bank acquired Morgan Grenfell at the end of 1989 in a \$950m (\$1.45bn) deal, and as a result Mr Craven became the first non-German in the bank's 123-year history to gain a seat on its management board.

Like the other dozen board members, he earned an estimated DM1.5m (\$920,000) last year - nearly double the Morgan Grenfell chairman's \$330,000 (\$508,200) salary in 1989.

After three-and-a-half years of observing his august new parent company, Mr Craven's enthusiasm is palpable. "It is incredibly well managed and works incredibly well."

He spends two days a week visiting German companies or attending Deutsche Bank meetings, and cites the length of Deutsche's board sessions - which average five to six hours - as an example of the benefits of German thoroughness. Each board member has executive responsibility for a specific operating area. This means, he says, that measures agreed at the top can be implemented through the group with smoothness and decisiveness.

Four Deutsche Bank board members, including Mr Hilmar Kopper, the bank's board speaker, sit on Morgan Grenfell's board, taking part in all strategic decisions. Deutsche Bank this year has increased its influence over the management of Morgan Grenfell's German subsidiary, the country's leading mergers and acquisition specialist. Nonetheless, Mr Craven says his bank has maintained a separate identity within the Deutsche Bank group.

Morgan Grenfell's senior executive team has remained largely unchanged since the takeover, even though overall staff numbers have dropped to 2,000 from 2,300. "Deutsche Bank paid a good-will sum of between \$450m and \$500m to reflect Morgan Grenfell's history, mentality and people. It would have been foolish to have paid this price and then to have got rid of the people."

The Anglo-German link has brought complementary advantages. After turbulent years during the 1980s, Morgan Grenfell has benefited from Deutsche Bank's financial strength and deal-making contacts. After-tax profits last year, at \$56m, were double the 1990 level.

Deutsche has gained access to Morgan Grenfell's financial engineering skills at a time when German companies have been seeking novel responses to the challenges of reunification and recession. "The strength of the D-Mark, the costs of unification, high welfare payments -



John Craven: parent is 'incredibly well managed and works incredibly well'

this has all contributed to a situation where parts of German industry have become uncompetitive."

These difficulties, according to Mr Craven, have increased demand in Germany for Morgan Grenfell's expertise in areas such as mergers and acquisitions, disposals and joint ventures. "Deutsche Bank correctly anticipated that German companies would increasingly use mergers and acquisitions to address strategic objectives. Deutsche Bank didn't have a network of M&A officers. By contrast, we have 300 merger people around the world."

"Three years ago, Morgan Grenfell had an active relationship with less than half a dozen major German companies. Now we have access to a majority of the big German companies - perhaps 50 or 60." About 30 German corporate deals in which Morgan Grenfell has acted as adviser have been made public.

Because times are harder, he believes one central feature of the German economic system - the country's "universal" banks, playing combined roles as lenders, traders in securities, and long-term shareholders - remains crucial importance. "A bank like the Deutsche Bank is a bit like a combination of the National Westminster Bank, S.G. Warburg and the Prudential."

"If a company gets into trouble in Germany, the attitude of the Deutsche Bank is: 'How can we assist it to get through this troubled period?' In Britain, the moment a clearing banker knows there is a problem, the reaction is: 'How quickly can we run our exposure down?'"

Trinkaus chief plays down its parentage



Mr Herbert Jacobi, the chairman of Düsseldorf-based Trinkaus & Burckhardt, runs a foreign-owned bank. Part of his job, however, is to ensure that the percentage of this two centuries-old German private banking house is not too evident. Trinkaus & Burckhardt is 70 per cent owned by Midland Bank of the UK, which last year became part of the Hongkong and Shanghai Bank group.

Trinkaus has been in foreign hands since the 1970s, when Citibank of the US acquired a majority share which it sold to Midland in 1981. Now, however, playing down its non-German ownership is a key part of the bank's strategy. "Many customers do not know we are foreign-owned."

The bank's shares are listed on the German stock market, and, in accord with German private bank tradition, it is directed by five personally liable managing partners, of whom Mr Jacobi, 58, is the most senior.

The emphasis on its credentials is designed to highlight that most essential German business trait: reliability. "Foreign banks in Germany have a reputation as 'fair weather' institutions. There is a belief that foreign head offices have only to whistle to call in loans. This can be fatal for an important part of our business."

"No foreign bank in Germany has ever been successful," says Mr Jacobi, who joined Trinkaus in 1981.

He speaks from experience. In addition to spells at Deutsche Bank and BHF Bank in Frankfurt, Mr Jacobi worked for Chase Manhattan between 1964 and 1977, spending several years running Chase's perennially lacklustre German operations.

Although Trinkaus puts its German character in the foreground, its banking activities are strongly international. It builds its business around what Mr Jacobi calls the "three pillars" of corporate finance, private asset management and financial market operations, including new issue business and foreign exchange. Net profits have been steady at DM44m (\$24.5m) annually during the past two years.

The bank's main customers are individuals with assets of more than DM1m and companies with cross-border transactions which want to improve financial management. A firm adherent of Germany's "universal banking" tradition, he is pleased that Trinkaus can offer services across the whole spectrum of banking. "I don't know a better way of being close to our customers."

These customers are being squeezed, like Germany as a whole, by the consequences of reunification. "German unity is a terrible crisis -



Herbert Jacobi: 'No foreign bank in Germany has ever been successful'

but also an opportunity. There was no 'game plan' [to carry out unification three years ago], because no-one believed it was possible." Making a success of German unity will, he says, take 10 to 15 years.

Mr Jacobi outlines two areas where German industrialists and bankers are being forced to change their agenda. The first concerns the need to improve efficiency by cutting costs and shifting production abroad. German manufacturing costs, he says, are up to 30 per cent higher than those of foreign competitors. "I believe that German industry will overcome its difficulties, but at the cost of mounting unemployment."

The second big change is in the financial field. Because of the "colossal costs" of reunification, German companies are now more dependent on stock market finance, including, crucially, on funds from foreign investors.

English phrases like "shareholder value" and "investor relations" - increasingly in vogue in Germany - have no German equivalent, he explains sardonically, since until recently these concepts had no place in the German banking vocabulary.

Mr Jacobi is convinced that convergence of ideas and practices is taking place in EC countries. "But this is the result of force of circumstances, not because of any bureaucratic project laid down in Brussels." He is distinctly sceptical about EC plans for economic and monetary union. "I believe in Europe, but not in the Maastricht timetable."

US chemicals group to take \$420m charge

By Richard Waters in New York

AMERICAN Cyanamid, the US pharmaceuticals and chemicals group, will take a \$420m after-tax charge in the third quarter to reflect the completion of a plan to shed its chemicals businesses and \$100m of environmental clean-up costs.

The company said yesterday that its chemicals business, Cytec Industries, would be spun-off as a separate company on the New York Stock Exchange shortly, with all outstanding Cytec ordinary shares being distributed to Cyanamid shareholders as a taxable dividend.

Cyanamid will retain preferred stock convertible into 30 per cent of Cytec's ordinary shares.

The move, along with the closure of chemicals operations not taken on by Cytec, completes a two-year plan to retreat from chemicals and focus instead on pharmaceuticals and products

for the agricultural industry. After-tax costs linked to the disposal and closures will be \$320m in the third quarter.

The chemicals business accounted for around \$1bn of Cyanamid's \$5.3bn of sales last year, but only \$34m of its \$564m operating income.

Cytec had assets at June 30 1993 of \$1.1bn, and will have 6,700 employees. It will take on \$225m of environmental liabilities and \$400m of liabilities for its employees' post-retirement health and life insurance benefits.

Also yesterday, Cyanamid said it had reviewed its environmental position and decided to take an after-tax charge of \$100m to reflect likely clean-up costs.

The company said it will remain responsible for the environmental position of Cytec's plant at Bound Brook, New Jersey after the spin-off is complete.

Shares in American Cyanamid were 9 1/2 higher at \$53 3/4 before the close in New York yesterday.

Reebok fires two main advertising agencies

By Frank McGurty

REBOK International, the US athletic shoe and apparel manufacturer, has fired its two main advertising agencies and consolidated its entire \$140m advertising account with Leo Burnett Co of Chicago.

The dismissal of the New York office of Chiat/Day and Euro RSCG of London follows a disappointing sales performance by Reebok in the second quarter.

In the period, Reebok - whose current advertising features US basketball star Shaquille O'Neal - experienced a 3.5 per cent fall in worldwide footwear sales and a 9.5 per cent drop in the US. Net revenue fell to \$657.6m, against \$701.9m in the 1992 quarter.

Meanwhile, sales by arch-rival Nike have climbed.

The company said it had decided to consolidate the business at Burnett to take advantage of its worldwide network of 55 offices in 40 countries.

"We need the strength of a global agency," the company explained. Burnett previously handled the Reebok brand in Latin America and Asia, with estimated advertising billings of \$20m.

Reebok insisted that it was not dissatisfied with the creative work produced by Chiat, which held the company's estimated \$80m US advertising account since 1991. To underline the point, it said it would continue airing Chiat's "Planet Reebok" campaign, featuring Mr O'Neal.

Euro RSCG was awarded Reebok's estimated \$40m to \$60m pan-European account only last year.

Tax change to hit Coca-Cola

By Frank McGurty in New York

THE Coca-Cola Company warned yesterday that a recent revision of the US tax code would reduce its full-year earnings by 4 cents a share.

The Atlanta-based soft drinks company said its effective consolidated tax rate for 1993 would increase by one-half of one percentage point on an annualised basis, to 31.3 per cent. It estimates its effective tax rate for 1994 at 32.5 per cent.

The higher 1993 tax rate will reduce Coca-Cola's net income by about \$55m. Most of the

charge against earnings is to be reflected in third-quarter results, scheduled for release on October 21.

Analysts had forecast 1993 earnings per share at \$1.70 to \$1.71, or about 18 per cent higher than last year's \$1.43. The higher tax rate would reduce earnings to about \$1.66.

Mr Terry Bivens, who follows the company for Argus Research of New York, said that the impact of the tax changes was in line with expectations.

Last week, PepsiCo announced that the new federal tax legislation would

reduce its 1993 earnings by about 5 cents a share.

Coca-Cola also said that it expected its worldwide unit-case sales in the third quarter to grow by between 4 per cent and 5 per cent over the year-earlier period, down from the 6 per cent growth attained in the second quarter of 1993.

Third-quarter growth in US unit-case sales, perhaps the best indicator of strength at the retail level, was estimated at between 5 per cent and 6 per cent.

On Wall Street, Coca-Cola was trading 5 1/2 lower at \$49 1/2 in early trading.

Federal Express advances

By Our New York Staff

FEDERAL Express, the biggest overnight delivery company in the US, cut the operating losses in its international operation by \$24m, to \$33.2m, in the three months to the end of August, helping to boost net income threefold compared with a depressed period the year before.

After-tax earnings for the first quarter of the company's financial year were \$32.9m, up from \$10.1m a year ago before the effect of accounting changes.

Mr Frederick Smith, chairman, said the results were encouraging, but warned: "Because last year's first quarter results were disappointing, the year-on-year comparison for the rest of this fiscal year may not be as dramatic as the first quarter."

Future earnings growth will depend on further revenue gains in the international priority sector, which were up 17 per cent in the first quarter, and the company's ability to cut costs to match declines on US yield, he added. In the first quarter, the yield fell less than 1 per cent, compared with a 10 per cent drop a year before.

Harcourt General spins off theatre unit

HARCOURT GENERAL, the US publishing, retailing and movie house business which used to be known as General Cinema, yesterday announced it was severing its ties with its origins by spinning off its theatre chain business in a distribution of stock to shareholders, writes Martin Dickson.

General Cinema, which began life as a movie house business and also owns a majority stake in department stores group Neiman Marcus, acquired Harcourt Brace, the publishing company, in a \$1.4bn takeover in 1991.

Mr Richard Tarr, chief executive, said that "although the theatre business represents the historical foundation upon which our company has been built, it is today a relatively small component of Harcourt General and represented slightly less than 5 per cent of 1992 operating earnings."

NEWS DIGEST

Zuckerman named IBM treasurer

MR Frederick Zuckerman, currently treasurer of food and tobacco group RJR Nabisco, was yesterday named treasurer of International Business Machines, the troubled computer company. Mr Lou Gerstner, IBM's new chairman, previously headed RJR Nabisco.

Mr Zuckerman, who is 59 and worked at IBM in the 1960s and 1970s, replaces Mr Robert Ripp, who is retiring. RJR Nabisco named Mr John Delucca, 50, as treasurer. He was most recently managing director and finance director of Hasco Associates, a Connecticut-based private holding company.

Amoco wins oil field agreement

AMOCO, the US oil group, has secured a preliminary agreement to develop the giant Priobskoye oil field in western Siberia, after a competitive bid with other western companies.

The field has reserves of as much as 50m barrels and could at its peak produce 450,000 barrels a day, making it a field "of world class", Amoco said.

The break-up of the Soviet Union has provided one of the best opportunities for western oil companies to acquire substantial new oil reserves.

The agreement gives the US company exclusive rights to negotiate a full production-sharing agreement with the Russian government and the

two Russian companies which will jointly develop the field.

Amoco said it was likely to take more than 20 years to bring the field up to full production. Its investment in the project will be "in the billions of dollars," it added.

Murdoch clears last NY Post hurdle

MR RUPERT Murdoch cleared the last remaining hurdle in his battle to buy the ailing New York Post newspaper when a federal bankruptcy court judge gave final approval for the purchase.

News Corporation, the media company headed by Mr Murdoch, said the sale should be completed by the end of September. News Corporation is paying more than \$25m in cash for the Post and assuming its debt and liabilities.

Cott climbs 159%

COTT, a soft drinks maker and distributor, reported net profit of C\$10.7m (US\$8.7m) or 19 cents a share, in the July quarter, up 159 per cent from a year earlier. Sales rose 122 per cent to C\$198m, with most of the gain in the US. First half profit was C\$16.4m or 30 cents a share, up 165 per cent, on sales of C\$327m, up 134 per cent.

Moody's lifts Time Warner rating

MOODY'S Investors Service, the credit rating agency, raised its debt ratings on heavily indebted Time Warner. Some \$12bn of borrowings are affected. Time Warner's senior debt rating goes from Baa2 to Baa1.

Moody's said the \$2.5bn

investment, completed yesterday, 0 by telephone group US West in Time Warner's entertainment business, together with anticipated cash flow and revenue growth in the consolidated Time Warner business, should result in a gradual improvement in the group's highly leveraged financial structure.

NYSE firms' profits ahead 38%

STRONG markets helped securities firms belonging to the New York Stock Exchange to a 38 per cent increase in second-quarter profits to \$1.57bn, the exchange reported.

Revenues rose to \$17.95bn from \$15.62bn. First-half profits totalled \$3.06bn, up from \$2.51bn in 1992, while revenues were \$35.69bn, up from \$32.1bn.

Rio Algon mine plan

RIO ALGON plans to develop a US\$500m zinc-copper mine at Crandon, Wisconsin, in a joint venture with Exxon.

Issue from Hollinger

HOLLINGER, the North American newspaper group, is raising about US\$100m with an issue of zero-coupon convertible securities through Merrill Lynch.

Transat advances

TRANSAT, Canada's biggest charter airline, had third quarter profit of C\$1.8m or 21 cents a share, against C\$250,000 or 2 cents a share. Revenues were up 62 per cent to C\$414m.

■ Reports by Martin Dickson and Richard Waters in New York and Robert Gibbons in Montreal

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## INTERNATIONAL COMPANIES AND FINANCE

# Citibank to buy out Hungarian venture minority

By Nicholas Denton  
in Budapest

CITIBANK Overseas Investment, part of the big US bank, is to take full ownership of its Hungarian joint venture by buying the 30 per cent held by the National Bank of Hungary, the central bank.

Terms of the deal were not disclosed. The joint venture, Citibank Budapest, was set up in 1985. It made Ft1.36bn (\$14m) profit after tax in 1992 on a prime capital of Ft1.93bn.

Citibank Budapest has concentrated on operating with local subsidiaries of international companies and has helped create new capital markets, like that for commercial paper. It announced yesterday a \$12bn commercial paper issue for Ciba Hungary, part of the Swiss Ciba-Geigy group.

Recent national banking legislation called for the central bank to dispose of shareholdings in domestic banks. These stakes were built up at a time when the authorities were reluctant to allow foreign entities full ownership.

The central bank is soon expected to sell its 30 per cent stake in Citibank, another joint venture bank. The buyer is expected to be Austria's Raiffeisen

group, which owns 72 per cent of the shares.

There is greater uncertainty surrounding the future of the National Bank's 34 per cent stake in Central-European International Bank (CEIB), in which it is partnered by five western banks. CEIB, the first and largest of Hungary's joint venture banks, has special off-balance sheet status.

Its off-balance sheet classification exempts CEIB from Hungarian reserve requirements and, rivals claim, gives it a competitive advantage. Hungary's finance ministry is pushing hard for the central bank to give up its stake and to relinquish CEIB's off-balance status.

Hungary's joint venture banks have succeeded in winning big customers from the large state-owned commercial banks, which have had to wrestle with provisions against loan losses. A recent World Bank report said that most of Hungary's commercial banks were "technically insolvent under international accounting standards".

Competition for top-tier clients in Hungary is increasing as western banks set up branches in Hungary. Credit Lyonnais is due on Friday to inaugurate its Budapest office.

## Study says Norwegian banks to double profits

By Karen Fosell in Oslo

NORWAY'S commercial banks, emerging from crisis, are set to more than double composite operating profits, after credit losses, to Nkr3.8bn (\$815m) next year. According to a central bank study, this will compare with forecast profits of Nkr1.45bn for this year.

The study, which looks at the effects of lower interest rates on bank earnings, expects the banks to continue to recover. The sector made a composite Nkr4.13m profit for the first six months of 1993.

Lower rates will also have a positive effect on banks' property portfolios, triggering a sig-

nificant rise in value. The value of individual bank loans will increase because of improved possibilities for those loans to be serviced.

The study forecasts a rise in composite net interest income to Nkr12.2bn in 1994, or 3.21 per cent of assets, from a forecast of Nkr11.7bn, or 3.17 per cent of assets, for 1993. In the first six months of 1993, the banks achieved composite net interest income of Nkr6.52bn, or 3.04 per cent of assets.

Banks are projected to cut losses on loans and guarantees in 1994 to Nkr4.8bn from a forecast Nkr6.9bn in 1993. At the half-year mark of this year credit losses were Nkr3.3bn.

# Jardine Matheson food arm 11% ahead

By Simon Davies  
in Hong Kong

DAIRY Farm International, the food retailing arm of Hong Kong's Jardine Matheson group, yesterday announced higher first-half profits and an increased dividend.

Net profits rose to US\$66.2m for the six months ended June, an 11 per cent increase over the US\$59.9m of 1992. The interim dividend is going up to US\$1.53 a share from US\$1.45.

Profits growth was primarily attributable to a halving of losses from Spanish retailer Simago and an improved performance from group operations in Taiwan, which have returned to profit.

Turnover increased by only 2 per cent to US\$2.38bn, due to losses in translation from currency movements and the impact of the sale of the group's food manufacturing operations to a joint venture with Nestlé, the Swiss foods group.

Operating losses from Simago fell to US\$4.3m from US\$16.5m as Dairy Farm continued to cut staffing levels and close unprofitable shops. However, the performance was also aided by the weakness of the peso. Simago was purchased for HK\$983m (US\$127m) in 1990 but is not expected to return to profit until 1995.

In Australasia, Franklins increased its market share but continued to suffer from the tough economic conditions and strong competition. In New Zealand, however, the group's two retail operations put in strong performances.

The Hong Kong retail operations are under pressure from staff and rental costs, but contributed a profit increase. The company says the colony offers limited scope for further expansion and it is now looking to Taiwan to provide growth for its Asian business.

Describing the six-month performance as satisfactory, it said full-year profits were expected to exceed 1992 levels. The ice-cream making joint venture with Nestlé in Hong Kong and China was making progress.

# Saudi bank prepares to account for itself

NCB is publishing its first audited accounts for four years, reports Richard Donkin

NATIONAL Commercial Bank of Saudi Arabia, the Kingdom's biggest bank in asset terms, is preparing to publish its first set of audited accounts for four years.

Mr Michael Callen, former head of global finance at Citibank, was brought in four months ago by the Mahfouz family, majority shareholders of the bank, as senior adviser to the chairman Sheikh Mohammed bin Mahfouz. He is hopeful that the accounts will appear shortly.

Mr Callen has been given the job of restructuring management, improving operations and restoring the bank's image.

This has been tarnished by a fraud indictment in the US against Sheikh Khalid bin Mahfouz, NCB's former chief operating officer, and a \$10bn lawsuit launched by Touche Ross, liquidators of the Bank of Credit and Commerce International.

Just how damaging the legal actions have been is difficult to

judge. "I don't know what our reputation is," said Mr Callen. "People don't tell you when you're the ugliest girl in the playground."

In spite of its problems, managers say that the audited accounts will confirm NCB's place as one of the biggest private commercial banks in the world.

More importantly, they will show NCB's capital asset ratio to be within the tier one 4 per cent minimum set by the Basle guidelines.

The last three sets of accounts to be published - none has appeared since 1989 - were all qualified by the auditors. Since that time the bank's financial position has been something of a mystery, and its position was not eased by the suspension of its credit rating in June 1992 by the Cyprus-based Capital Intelligence, the only rating agency to list the bank.

Mr Omar Bajamal, deputy general manager, said the bank was determined that its next set of accounts would not be

qualified. References to court actions are expected to appear in footnotes.

The closure of the bank's London office last year, enforced by the Bank of England, and the corresponding closure of the New York branch - together the branches had assets totalling some \$2.5bn - had a significant impact on NCB's balance sheet.

Mr Bajamal maintained that the bank had improved its Saudi depositor base.

Total bank assets, said Mr Bajamal, had dipped below \$20bn in 1992 but had recovered some lost ground in the first quarter of 1993.

The bank considered a public placing at one stage but decided that the risk was too great at a time when many Saudi companies were competing for capital. It is still an option, however, when the present difficulties have been overcome.

Mr Bajamal said that none of the bank's 230 branches would

close as a result of the internal restructuring currently being carried out, but NCB would be shedding 1,500 jobs from its 7,400 workforce in the next few months.

He dismissed as wild speculation US reports that the bank's problem loans, many of them said to have been with the Saudi royal family, ran into tens of billions of dollars.

However, other sources suggest that NCB's problem loans amounted to about \$2.5bn, almost a third of the bank's loan portfolio and several times its net worth. Many loans are understood to have been restructured.

The relationship with the Saudi royal family is one of the most sensitive issues within the bank. The very presence of the royal business means that it is difficult to appraise the bank's position using normal financial criteria.

"The idea that they [the royal family] would just stuff the NCB at the end of the day, given that they own the country and are responsible to the

depositors as a result, defies logic," said Mr Callen.

NCB's accounts will be emerging after a difficult period for many of Saudi Arabia's banks, following an end to the construction boom which did much to boost lending margins in the late 1980s.

NCB is the only Saudi bank in private hands. There has been some talk of the Saudi Arabian Monetary Agency, the central bank, taking a stake in NCB but this has been successfully resisted by the owners.

In the meantime Sheikh Khalid bin Mahfouz and the bank are separately fighting various legal actions in the US and the UK. He has been indicted on fraud charges by Mr Robert Morgenthau, New York district attorney.

NCB, itself in dispute with the US Federal Reserve, has set aside \$22m for possible penalties, although it is arguing against accusations that it violated filing regulations.

## Monument secures £300m loan

By Tracy Corrigan

MONUMENT OIL and Gas, the UK oil exploration and production company, has agreed terms for a £300m (\$462m), 10-year syndicated loan to finance the development of the Liverpool Bay oil and gas fields in the UK. Chase Investment Bank and Union Bank of Switzerland arranged the loan.

The estimated development cost is £270m. The additional amount will be used to refinance some pre-development costs and cover any overrun. Ms Liz Airey, Monument's finance director, said the company was pleased to secure the loan. The company will pay before the loan is signed.

Ms Airey said that approval from each of the partners to proceed with the project is due by the end of the month, and Department of Trade and Industry approval is expected by the end of October.

## NEWS DIGEST

### Czech glass maker in first FRN launch

THE CZECH Republic's nascent domestic bond market took another step in its development yesterday with the launch of the first issue of floating rate notes (FRNs) by a corporate borrower, writes Antonia Sharpe.

Glavunion, the flat glass manufacturer which is 67 per cent owned by Glaverbel of Belgium, raised Kcs350m (\$12m) through an offering of four-year FRNs. The notes carry a semi-annual coupon equivalent to 40 basis points further 19.9 per cent state in Commonwealth Bank of Australia next month, writes Nikita Tait from Sydney.

Mr Ralph Willis, minister for finance, said the government plans to sell about 178m shares to investors, reducing the authorities' holding in the bank from 70 per cent to a minimum of 50.1 per cent.

range of Czech banks and other financial institutions, said an official at the lead manager, CSFI.

The next stage of the Czech capital market's development is likely to be at the short end, with the launch of commercial paper programmes, he added.

Glavunion is keen to promote the development of the local capital market, which it regards as an important future source of financing. However, for now the market is restricted to the better-known and better-capitalised Czech companies.

Bank sale favours retail investors

THE AUSTRALIAN federal government is to favour small investors when it sells off further 19.9 per cent state in Commonwealth Bank of Australia next month, writes Nikita Tait from Sydney.

The sale is expected to take place in October, soon after the bank's annual report is published. Up to 65 per cent of the issue will be available to retail investors, either existing shareholders or other members of the public. The balance will go to Australian and overseas institutions.

The price of the issue will be determined by a tender or "book-building" process, similar to that used in the recent share sale by the retail group Woolworths.

The issue is widely expected to raise upwards of A\$1.5bn (US\$982m).

Argentaria to sell further 25% stake

ARGENTARIA, Corporación Bancaria de España SA is to issue up to 25 per cent of its capital in the second stage of its privatisation, approved by the government last week.

The issue will represent about 31m shares. The first stage placing, which went ahead in May, saw 24.9 per cent of the company floated into the private sector, Reuters reports.

## FT-ISMA INTERNATIONAL BOND SERVICE

THE FT-ISMA International Bond Service, published on Monday to Friday in the Financial Times, shows daily prices, provided by the International Securities Market Association, for a selection of the most actively traded Eurobonds and related securities, picked from the sectors which best represent current market conditions. The service sets out to include certain "benchmark" issues within the space available, while still trying to maintain a broad spread of borrowers and currency groups. Selections are reviewed regularly by the Financial Times and the International Securities Market Association.

## LEGAL NOTICES

In the matter of  
National Employers'  
Mutual General Insurance  
Association Limited  
(in Liquidation) (NEMGIA)

NOTICE IS HEREBY GIVEN that the liquidators of NEMGIA intend to declare a first interim dividend to the creditors of the company within four months of 30 September 1993. Creditors who have not submitted claims to the liquidators of NEMGIA, PO Box 270, 20 Farrington Street, London EC4A 4PP, England by 30 September 1993 will be excluded from this dividend. Forms of proof of debt may be obtained from the liquidators or from policy holders' brokers.

As regards NEMGIA's former branches in Australia, Canada, Cyprus and Malta, creditors should contact the local liquidator (or similar appointed person) to establish their claims. Only to the extent that UK dividends exceed local percentage distributions will creditors be entitled to participate in distributions from UK funds.

AJ McMahon, Joint Liquidator  
8 September

## PUBLIC NOTICES

THE SCOTTISH AGRICULTURAL SECURITIES CORPORATION PLC  
31% DEBENTURE STOCK 1969/93  
Notice is hereby given that the above Stock will be redeemed at par on maturity at 13th December 1993. It will not be necessary for Stock Certificate to be surrendered upon repayment.

The final interest payment due on the 13th December 1993 will be paid in accordance with existing instructions.

By order of the Board  
Nigel B Richardson, Secretary,  
19 Rutland Square  
Edinburgh  
EH1 2BA  
13th September, 1993

## COMPANY NOTICES

BRADFORD & BINGLEY  
£200,000,000  
Floating Rate Notes due 1995

In accordance with the terms and conditions of the Notes, the interest rate for the period 15th September, 1993 to 15th December, 1993 has been fixed at 6.078125 per annum. The interest payable on 15th December, 1993 against the Coupon 10 will be £191.54 per £100,000 nominal.

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## COMPAGNIE BANCAIRE

### COMPAGNIE BANCAIRE FRF 800,000,000 FLOATING RATE NOTES DUE 1997

For the period September 15, 1993 to December 15, 1993 the new rate has been fixed at 7.21875% P.A.  
Next payment date: December 15, 1993  
Coupon nr: 13

Amount:  
FRF 182.47 for the denomination of FRF 10 000  
FRF 1824.74 for the denomination of FRF 100 000

Notice is hereby given that pursuant to paragraph "Purchase and Redemption" (d) "Redemption at the option of the Noteholders", of the Terms and Conditions of the Notes, a nominal amount of FRF 15,000,000 has been presented for redemption on the Interest Payment Date falling on September 15, 1993.

Nominal amount outstanding after  
September 15, 1993:  
FRF 545,640,000

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FINANCIAL TIMES

£5,500,000  
HMC MORTGAGE ASSETS  
102 PLC  
Class B  
Mortgage Backed Floating Rate Notes due March 2000  
For the interest period from September 14, 1993 to December 14, 1993 the new rate has been fixed at 8.84375% per annum. The interest payable on the relevant interest payment date, December 14, 1993 will be £1,708.84 per £100,000 nominal amount.  
By: The London Merchant Bank, S.A.  
London, Agent Bank  
September 16, 1993

U.S. \$200,000,000  
MARINE MIDLAND BANK, INC.  
Floating Rate  
Subordinated Notes Due 2000  
Interest Rate 8 1/8% p.a.  
Interest Period 15th September 1993 to 15th December 1993  
Interest Amount per \$100,000 Note: \$8.125  
Interest Payment Date: 15th December 1993  
Credit Suisse First Boston Limited  
New York, Agent Bank

SGA SOCIETE GENERALE  
ACCEPTANCE N.V.  
FRF 1,000,000,000  
REVERSE FLOATING RATE NOTES DUE DECEMBER 17, 1997  
For the period September 15, 1993 to December 15, 1993 the new rate has been fixed at 10.84375% P.A.  
Next payment date: December 15, 1993  
Coupon nr: 3  
Amount: FRF 2741.06 for the denomination of FRF 100 000  
FRF 27410.59 for the denomination of FRF 1 000 000  
THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP  
15, Av. E. Reuter - Luxembourg

CNT  
Caisse Nationale des Telecommunications  
FF 2,000,000,000  
Floating Rate Bonds  
due 1997  
Notice is hereby given that for the interest period 15th September, 1993 to 15th December, 1993 the Bonds will carry a Rate of Interest of 7.21875 per cent per annum with a Coupon amount of FF 182.47 per FF 100,000 Bond and FF 1,824.74 per FF 1,000,000 Bond. The relevant Interest Payment Date will be 15th December, 1993.  
Bankers Trust Company, London, Agent Bank

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£250,000,000  
Floating Rate Notes due 1994  
In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 13th December, 1993 has been fixed at 6% per annum. The interest accruing for such three month period will be £149.59 per £100,000 Bearer Note, and £1,495.89 per £1,000,000 Bearer Note, on 13th December, 1993 against presentation of Coupon No. 13.  
London Branch  
Agent Bank

SOCIETE GENERALE  
FRF 500,000,000  
SUBORDINATED FLOATING RATE NOTES DUE 2001  
For the period September 15, 1993 to December 15, 1993 the new rate has been fixed at 7.28125% P.A.  
Next payment date: December 15, 1993  
Coupon nr: 11  
Amount: FRF 368.11 for the denomination of FRF 20 000  
THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP  
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CREDIT LOCAL DE FRANCE FRF 750,000,000  
REVERSE FLOATER BONDS DUE 2000  
Pursuant to the Terms and Conditions of the Bonds, notice is hereby given to the Bondholders that FRF 450,000,000 have been purchased. Nominal outstanding: FRF 300,000,000  
PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP  
15, Av. E. Reuter - Luxembourg

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(A corporation organized under the laws of the State of Delaware, USA)  
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Floating Rate Notes due 1994  
For the three month period 15th September, 1993 to 15th December, 1993 the new rate has been fixed at 3.375% per annum with an interest amount of U.S. \$65.31 per U.S. \$10,000 Note payable on 15th December, 1993.  
Bankers Trust Company, London  
Agent Bank

ABBAY NATIONAL BUILDING SOCIETY  
£13,000,000.00  
Floating Rate Notes Due 1994  
Interest rate - 4.25%  
Interest period: from 16.9.1993 to 16.3.1994  
Interest Amount per £100,000 nominal due 16.3.1994: £2,107.534  
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## COMPANY NEWS: UK

## Lasmo warns about low price of oil

By Robert Corzine

LASMO, the independent exploration and production company, yesterday reported net profits of £20m for the first half of 1993, but warned that low oil prices were threatening profitability despite the prospect of steadily rising production.

The interim performance compares with a net loss of £248m in the same period last year after a loss of £281m on the sale of businesses.

Mr Joe Darby, chief executive, said the company intended to maintain its present exploration and development programme. He acknowledged, however, that the company's business plan may have to be modified if oil prices lingered at or below the \$16 a barrel level until early next year. He said any such changes would probably involve winding down exploration expenditure for 1996 and thereafter.

Earnings per share of 2.2p compared with previous losses of 33.5p. The company is paying a 1.3p (2.3p) interim dividend. The board will recommend a final of 2p (1p) barring unforeseen circumstances. A scrip alternative will be offered to shareholders.

The results were generally in

line with market expectations and Lasmo shares closed up 54p at 133½.

Mr Darby confirmed that the company had received offers for its interest in the Markham field in the North Sea, with analysts suggesting the company could raise as much as £100m from a sale. He said additional sales of peripheral interests could be made in future, although the scale of any sell-offs would be smaller. Asset sales combined with planned shutdowns at some fields resulted in lower production, which fell to 163,100 barrels of oil equivalent compared with 158,100 b/d in the first half of 1992. Turnover was £309m (£297m), with some gain recorded from higher sterling prices for oil.

Mr Darby conceded that current low oil prices and a depressed share price made the company vulnerable to a possible takeover. "When the oil price is gloomy everybody is nervous," he said. "We are not doing anything to reduce that vulnerability... I'm not sure there is anybody out there without problems of their own."

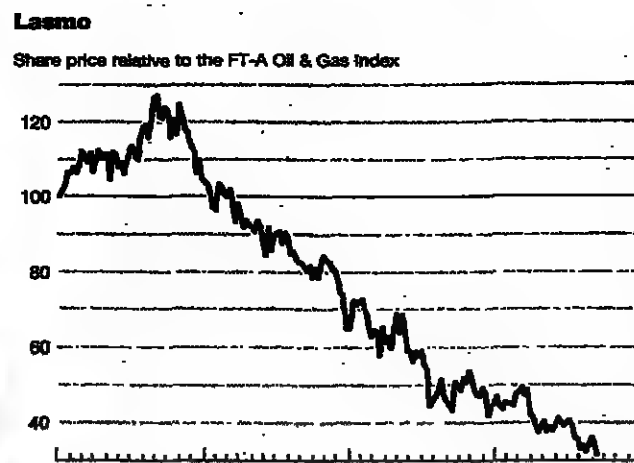
He said the company would focus on increasing production to 220,000 b/d by 1996, a 40 per cent increase over present lev-



Joe Darby: exploration programme will be maintained

els. A key element of that would be the integrated development of the Liverpool Bay field, which will supply gas to PowerGen under a contract which is not linked to the oil price.

Lasmo expects to have medium-term finance in place in the near future to fund its participation in the field. A decision on whether to go ahead with the project will be taken by the end of the year, with first production in 1995. The development programme



Source: FT Graphite

would keep balance sheet gearing, now at 70 per cent, steady this year before rising to 80-90 per cent in 1995, after which the company expects it to fall significantly.

Gearing hit 111 per cent at the end of last year but fell after the company raised \$800m in the US early this year. Net debt fell to £781m at the half-year from £1,082m at year end.

Another strand of Lasmo's strategy is to cut costs. Cost of sales, including operating

costs, depletion charges and production taxes, is expected to be close to \$3 a barrel in 1993.

Costs, which Mr Darby said have been too high, are likely to fall as Lasmo's activities change. New developments, such as Liverpool Bay, involve lower costs than many of its existing assets.

Administrative costs have been cut by 20 per cent, with another 20 per cent cut envisaged in 1994.

See List

## BRITISH AEROSPACE INTERIM RESULTS

## Rover set to make profit after two years of losses

By Kevin Done, Motor Industry Correspondent

ROVER Group, the motor vehicles subsidiary of British Aerospace, would be in profit for the full year in 1993 after two years of losses, Mr George Simpson, Rover chairman and BAE deputy chief executive said yesterday.

In the first six months, Rover cut operating loss before interest from £31m to £19m.

The loss included redundancy and restructuring costs of £22m. Excluding the one-off rationalisation charge, Rover's trading performance in the first half improved by £34m and resulted in a small profit of £3m.

Rover expected "a significant recovery" in its financial performance in the second half of the year, said Mr Simpson.

Production, which fell by 6.4 per cent to 200,872 in the first half under the impact of significant stock reductions, was expected to rise in the second

half of the year.

At the same time, the benefits from last year's devaluation of sterling, which were delayed by currency hedging arrangements, would be fully reflected in the second half.

The UK car maker's first half performance was impaired by launch costs of around £10m for the new Rover 600 executive car, which was introduced in April. In the second half, Rover would benefit from strong UK sales in August, when its registrations grew by 23.7 per cent in an overall market, which rose by 17.8 per cent.

Rover turnover rose by 20.1 per cent in the first half to £1,980m (£1,650m).

The group has increased its market share in the UK in the first eight months of the year to 13 per cent from 12.3 per cent in the corresponding period last year, and profitability is being helped by an improving "model mix" with an increasing proportion of

sales coming from its larger Rover cars and four-wheel drive Land Rover vehicles.

Rover is also performing strongly in continental European markets, albeit from a small base, despite the steep decline in overall European new car sales.

In the first six months, Rover and Land Rover worldwide vehicle sales increased by 13 per cent to 202,100. UK sales rose by 14 per cent to 115,700, while sales in continental Europe rose by 5 per cent to 65,500. Total sales outside the UK gained 12 per cent to 82,400.

Rover eliminated 1,740 UK jobs in the period with a reduction in the workforce to 31,238 at the end of June. The UK workforce has been cut sharply from 40,500 at the end of 1990.

Land Rover however, added 300 jobs during the summer in order to increase output of its successful Discovery range, and Mr Simpson ruled out further job cuts in the second half of the year.

## Talks with GEC on naval link

By David White, Defence Correspondent

BRITISH AEROSPACE is holding discussions with the UK's General Electric Company to pool the two companies' efforts on future naval programmes.

The talks are aimed in the first instance at collaborative arrangements for a new generation of air-defence frigates, which British currently plans to develop jointly with France and Italy. A further stage would involve seeking the prime contractorship for an updated version of the Royal Navy's Trafalgar class nuclear-powered attack submarine.

The UK share of the 42nd frigate project is expected to be worth about £2.4bn. Under present plans, partner countries would share development but each would build its own ships.

The UK side would not involve a single prime contractor but separate contracts for the hull, weapon systems and electronic command system. BAE and GEC are understood to envisage bidding jointly for all three.

However, Mr John Weston, chairman and managing director of BAE's defence division, said an overall merger of the two groups' naval businesses was not under discussion.

BAE, which makes naval weapons and has a 50 per cent interest in the BAESea systems company, has ambitions to expand its naval business, both to broaden its coverage of the defence sector and to break into new markets, especially in the Far East, reducing its dependence on arms sales to Saudi Arabia.

Exploratory talks on wider defence links with GEC were suspended in July after press reports suggesting a merger was on the cards. One senior BAE executive said talks could not be continued "in the full glare of publicity".

BAE is meanwhile pursuing negotiations with Matra of France on pooling missile interests in a joint venture with combined annual sales of more than £1bn. GEC is among other European companies seen as potential future partners in the venture. Mr Weston said yesterday there was "definite interest among other manufacturers to join us."

Defence continued to be BAE's only significant source of profits in the first half of this year, offsetting losses in other sectors. Defence profits before interest and tax dropped to £230m (£264m), on sales reduced to £1,930m (£2,020m). However, the completion of deliveries of Hawk trainers to South Korea helped to limit the reduction that had been anticipated.

## Savoy loss unchanged at £1.75m

SAVOY HOTEL announced an unchanged first half pre-tax loss of £1.75m and said it had not benefited from the improvement in the economy or from last September's devaluation of sterling, writes Michael Skipinker.

The loss for the six months to June 30 was on turnover up 3 per cent to £37.8m. The group, whose hotels include the Savoy, the Connaught and Claridge's, said its operating costs rose 3.5 per cent to £36m, largely due to an increase in sales and marketing expenditure.

Mr Giles Shepard, managing director, said: "Despite certain aspects of the economy improving, such improvements as there were did not benefit the company, nor were the effects of last September's devaluation of sterling reflected in an increasing number of foreign visitors to our hotels and restaurants."

The group's pre-tax loss was limited by an increase in investment income from £68,000 to £87,000. This included a £255,000 profit on the sale of the Savoy Theatre's investment portfolio. At the trading level, the loss increased to £1.6m (£1.15m).

Losses were 4p (3.5p) per A share and 2p (1.7p) per B share.

## Argus Press

Morgan Grenfell, adviser to Argus Press, has clarified that the group is negotiating to sell the assets and businesses of only its newspaper division to Trinity International. Other parts of the Argus business are not involved.

## Tiphook board to take big pay cut

By Peggy Hollinger

DIRECTORS of Tiphook, the loss-making container rental company, yesterday told a heavily critical annual meeting that they intended to take pay cuts of between 25 and 30 per cent this year.

The statement came in response to persistent questions over directors' pay and contracts, accounting policies and the performance of the heavily-indebted company's shares, which have fallen from 380p at the beginning of April to last night's 248p.

One private shareholder asked why, when "most shareholders have lost a substantial amount of money on their shares, the directors felt it

appropriate for them to take a large increase in salary?"

His question was greeted with an enthusiastic "hear, hear" from the 45-strong gathering in London's Royal Automobile Club in Pall Mall.

A second shareholder drew attention to the difference in remuneration of £4m, including pension payments, for the five executive directors and less than £100,000 for the four non-executives.

Tiphook has come under fire recently following revelations that directors received pay increases in a year when it plunged into net losses of £86.5m, against a retained profit of £31.7m in 1992. Mr Robert Montague, chairman, received a pay rise from

£242,000 to £261,000.

Mr Montague said the pay issue was being dealt with. "We do not want to put ourselves in the position where shareholders were dissatisfied with the company," he said.

Mr Rupert Hambro, head of the remuneration committee and recently appointed deputy chairman, said salaries would be between 25 and 30 per cent lower in the current year. It also believed the committee is proposing directors' contracts of just one year.

Mr Montague was clearly exasperated with shareholders' persistence on the subject, however, and abruptly asked them to "leave it and get on" with the meeting.

Shareholders were also con-

cerned over accounting changes. Tiphook has previously blamed factors associated with the move to dollar reporting for the exceptional charges of £77.5m, resulting in pre-tax losses of £21.8m.

Mr Montague said the change was due to the strong increase in US shareholders. About 60 per cent of the group is held in the US.

The critical atmosphere eased somewhat when the chairman, asked to offer his vision for Tiphook's future, visibly relaxed for the first time in the 90 minute meeting.

Tiphook, the world's number two in container rental, was well placed to grow in a market estimated to double by the end of the century, he said.

## Select Industries heads for USM with £13m price tag

By Peter Pearce

SELECT Industries is seeking to have all of its issued fully paid ordinary shares introduced to the USM.

The introduction of the 84.4m such shares at about \$1 will value Select at about £12.5m. This includes the group's partly paid shares.

Select's main operating subsidiary, AirBoss Ground Engagement, makes a puncture-proof wheel and tyre system for use in the construction equipment market.

It has exclusive rights to distribute in Europe, Israel, Turkey and former Warsaw Pact countries, including Russia.

Mr Edward Vandyk, Select's chief executive, said the group's shares had been traded under Rule 636 (2) on a

matched bargain basis since mid-1991. In early 1992 various institutions had underwritten a £5.3m rights issue and the group had pledged a move to a more senior market when it was practicable.

A full listing, at any rate only possible at three years' trading, is planned for January 31 1995. This is when the 143m partly paid shares the group has issued will become fully paid. These shares of 7.5p are paid as to 2.5p.

The 5p balance is payable in two equal parts on January 31 1994 and January 31 1995. The payments on the partly paid shares - about £7.1m - will finance the development and marketing of the range of AirBoss wheel sizes.

Turnover in the first half of 1993 was £311,000, up 45 per cent on the corresponding period.

## Polly Pocket and Mighty Max lift Bluebird Toys

By Catherine Milton

A NEAR doubling of foreign sales helped Bluebird Toys lift pre-tax profits from £234,000 to £1.9m in the six months to June 30.

The strong performance abroad reflected the ongoing success of its "Polly Pocket" range of miniature dolls, now in its fourth year, and the successful launch of "Mighty Max" which has been very well received in all markets, said Mr Torquil Norman, Bluebird's chairman.

The depreciation of sterling against the US and Hong Kong dollars also contributed to the increase. Conditions in the home markets remained subdued.

"We have made an excellent start to the year and we look forward to continued growth in the second half as well as a

good result for 1993 as a whole," he said.

Mr Norman said the higher volume of overseas sales would change the seasonal distribution of profits, tending to reduce the traditional bias towards the second half.

Turnover rose to £33.7m (£27.4m) with overseas sales increasing to £15.8m (£8.8m). The company said a broader spectrum of international markets gave it a measure of stability while consulting distributors on design had helped secure orders.

Inventories are down to £4.97m (£6.91m). Bluebird expects to exceed last year's £5.3m cash balance at December 31. Net interest charges fell to £291,000 (£362,000).

The company does not pay an interim dividend and earnings per share climbed to 14.7p (4.2p).

## Alliance to curb propeller loss

By Paul Betts, Aerospace Correspondent

BRITISH Aerospace is stepping up its efforts to negotiate an alliance with other European aerospace companies to rationalise its loss-making turbo-propeller activities.

"Our turbo propeller sector is where the real problem lies in our commercial aircraft operations," said yesterday Mr Dick Evans, BAE's chief executive.

These operations, which include production of the Jetstream commuter aircraft and the Advanced Turbo Prop (ATP) airliner, lost £50m in the first half of this year and are

likely to incur a similar amount in the second half.

After negotiating a partnership with Airbus Aerospace for its loss-making BAE 146 regional jet business, BAE is now concentrating increasingly in forging a similar partnership for the turbo propeller business which has been regrouped at the company's facility at Prestwick in Scotland.

BAE appears to be leaning towards a partnership with the French Aerospatiale group, Alenia of Italy and Cassi of Spain.

Such a partnership would also be open to Deutsche Aerospace and Fokker, the Dutch

manufacturer which has recently come under the control of Deutsche Aerospace.

However, it seems difficult to see at this stage the German company and Fokker teaming up with the BAE proposal.

This could ultimately lead to a rationalisation of the European turbo propeller aircraft industry around two groups: one including BAE, Aerospatiale, Alenia and Cassi and a so-called North European group including Deutsche Aerospace, Fokker and Saab of Sweden.

Overall, BAE's commercial aircraft activities made a loss before interest of £81m in the first half year.

## Germans to take 26.5% stake in Jones &amp; Shipman

By Andrew Baxter in Hanover

KORBER, a secretive German group best known for its Hami cigarette manufacturing machinery, is to take a 26.5 per cent stake in Jones & Shipman, the loss-making maker of grinding and honing machines.

The deal, along with a placing and open offer of new shares, will raise £2.96m for J&S, and is crucial to the survival of one of the most famous names in the UK machine tool industry.

J&S said shareholders should be aware that if its proposals were not implemented "the group may have insufficient working capital facilities to continue trading".

The transaction with Korber, under discussion for the past 18 months, opens the way for Leicester-based J&S to announce its delayed results for the year ended March 31.

The company reported a reduced pre-tax loss of £1.54m (£7.35m) on turnover down from £15.9m to £13.4m for the year. Losses per share were cut to 12.7p (£6.1p). No dividend is recommended.

The share stake is intended to cement a co-operation agreement between J&S and Korber's two grinding machine companies, Blohm and Schaudt.

Mr John Wareing, Jones & Shipman's managing director, said the deal would help J&S

develop its business. Its new German partners will sell J&S machines in Germany, where the UK company's presence has always been weak.

J&S in turn will sell Blohm machines in the UK, but not Schaudt machines for contractual reasons.

The £1.83m from Korber is to be raised through the subscription by the German group for 6.81m new shares at 24p each, a further £1.11m is to be raised through the placing by Close Brothers of 6.7m new shares at the same price.

The deal will allow J&S to complete its restructuring programme, which is based on contracting out most of its machining work.

DIVIDENDS ANNOUNCED				
Company	Current payment	Date of payment	Current - previous dividend	Total for year
BAE	3.3	Nov 30	3	7
Bovis Lend Lease	1.88	Dec 13	1.78	8.36
BZW Convertible	3.3	Oct 21	3.3	7.8
CALLA	1.55	Oct 29	1.15	2.3
Color	6	Dec 31	6	12
Eng China Clays	6.97	Dec 10	6.6	20
Everest Foods	2.5	Nov 29	2.4	3.7
FBD Holdings	2.55	Oct 22	2	4.5
For & Col High	1.42	Oct 21	1.32	2.82
Gant (S)	1.35	Oct 21	1.25	2.1
Infatech	2.54	Feb 26	-	6.05
Lambert Horwath	4.5	Oct 31	4.25	13
Lasmo	1.3	Nov 23	2.3	3.3
Matthews (B)	1.1	Oct 22	1	2.25
OS Int	0.7	Oct 15	-	-
Record Holdings	1.15	Nov 30	1.15	3.8
Roskel	1.3	Nov 30	1.3	4.3
Taylor Nelson	0.137	Jan 5	0.1	0.3
Try Group	0.5	Oct 29	0.5	1
Waterford Foods	1.194	Nov 5	1.15	2.73

Dividends shown where per share not except where otherwise stated. (†) On increased capital. (S) USM stock. (B) Irish price.

**The Royal Bank of Scotland Group plc**

**US \$400,000,000 UNRAIDED FLOATING RATE**

**PRIMA CAPITAL NOTES**

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the interest period from 16th September 1993 to 16th March 1994, the Notes will bear a Rate of Interest of 6.34513 per cent. per annum.

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The

**ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Of The Baring Pacific International Fund will be held at its registered office at 13, rue Goethe, Luxembourg at 2.30 p.m. on 24 September 1993 for the purpose of considering and voting upon the following matters:

**Agenda:**

- Acceptance of the Directors' and Auditors' reports and approval of the financial statements for the year ended 31 May 1993.
- Distribution of dividend.
- Discharge of the Board of Directors.
- Election of Mr Austin O'Connor and re-election of existing members of the Board.
- Re-election of Auditor.
- Adjournment.

**Voting:**

Resolutions on the agenda of the annual general meeting will require no quorum and will be taken at the majority of the votes expressed by the shareholders present or represented at the meeting.

**Voting Arrangements:**

Shareholders who cannot attend the Meeting in person are invited to send a duly completed and signed proxy form to the registered office of the Company to arrive not later than 22 September 1993. Proxy forms will be sent to registered shareholders with a copy of this Notice and can also be obtained from the registered office.

The Board of Directors

31 August 1993

Fiduciary issue by Kredietbank S.A. Luxembourg to fund a loan to be made by it to

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Floating Rate Notes due 1997

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the interest period from September 16, 1993 to December 16, 1993 the Notes will carry an Interest Rate of 9.5625% per annum.

The Interest Amount payable on the relevant Interest Payment Date, December 16, 1993 will be ITL 120,859 per ITL 5,000,000 principal amount of Note and ITL 2,417,188 per ITL 100,000,000 principal amount of Note.

The Agent Bank

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Over 2 up to 3	5%	5%	5%
Over 3 up to 4	5%	5%	5%
Over 4 up to 5	5%	5%	5%
Over 5 up to 6	5%	5%	5%
Over 6 up to 7	5%	5%	5%
Over 7 up to 8	5%	5%	5%
Over 8 up to 9	5%	5%	5%
Over 9 up to 10	5%	5%	5%
Over 10 up to 15	5%	5%	5%
Over 15 up to 25	5%	5%	5%
Over 25	5%	5%	5%

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Taking account of flotation pro forma figures show a rise of 32% at mid-way

## Devro at £3.78m and sees progress

By James Buxton,  
Scottish Correspondent

DEVRO International, the maker of sausage casings made from the edible protein collagen which came to the market in June, reported lower pre-tax profits of £3.78m for the first half of 1993, against £5.89m.

However pro forma figures, calculated assuming the post flotation capital structure had been in place during both periods, showed pre-tax profits of £12.1m, a 32 per cent improvement on the £9.1m of the comparable period.

Reported interest payments were £3.78m (£4.53m) but fell to £470,000 (£1.28m) in the pro forma figures.

The results for the Glasgow-based company showed sales growth of 18 per cent to £46.3m (£39.2m). The sales growth was roughly in line with the unaudited trading performance of 19.8 per cent for the first five months stated in the flotation prospectus.

The pre-tax profit figures and trading margins impressed the market and the shares closed up 6p at 232p.

Devro, which manufactures in the US and Australia as well

as at its base, was bought out of Johnson & Johnson, the US multinational by its management for \$108m in 1991. The flotation at 170p valued the company at £224m.

Mr Leon Allen, chairman, said trading had been strong despite the continuing effects of recession in many markets. "The group is in a strong financial position, enabling us to continue to pursue our strategy of expanding Devro's share of the collagen market."

Mr Graeme Alexander, who has succeeded Mr Frank de Angeli as chief executive, said that sales volumes in the

period were up 7 per cent, with sausage casings increasing by about 6 per cent. The UK showed a sales rise of 6 per cent.

The company's new range of collagen film products, used in continental Europe for wrapping smoked hams, rose by 90 per cent, though turnover is only about £2m.

The rest of the profits increase was due to an 8 per cent foreign exchange gain, mainly in North America and Japan, and a 3 per cent increase in the price mix.

Profit margins rose from 26 to 27 per cent thanks, Mr Alex-

ander said, to controlling costs and gains in productivity. Research and development spending was between £3m and £3.5m on in the six month period.

Devro expected its underlying tax rate for the period to be about 20 per cent. This could rise progressively to 33 per cent in future years.

For the second half sales had started well and the company expected to report further progress for the full year.

Reported earnings per share were 2.6p (3.4p). The pro forma figures were 6.4p (4.8p), a rise of 33 per cent.

## Taylor Nelson AGB expands 57% to £1.55m

By David Blackwell

TAYLOR NELSON AGB, the largest market research group in the UK, lifted pre-tax profits by 57 per cent to £1.55m for the first half of 1993, compared with £988,000.

The group became market leader following Taylor Nelson's £14.5m acquisition of AGB Research, part of the collapsed Maxwell private empire, in March last year.

Mr Tony Cowling, chief executive, said the full benefits of the merger were still ahead. Further cost reductions of £400,000 are expected in the second half.

Turnover for the six months rose from £20.5m to £25.5m. The pre-tax figure included a £336,000 share of losses from associates while last time pre-tax profits included a £450,000 provision for property rentals - a problem that has

now disappeared.

The associates deficit was a one-off charge reflecting the start-up losses of the group's joint venture with Information Resources of the US and GIK of Germany. Known as InfoScan NMRA, the venture will supply market information to big grocery manufacturers.

The company, which has about 17 per cent of the UK market shared by the top 30 companies, is about the sixth largest in Europe, according to Mr Cowling.

Mr Cowling said that markets holding up well included the retail sector, where tough trading conditions increased the demand for research, the food and drink sector, and healthcare.

Generally speaking market research was moving away from the ad hoc questioning of the past to rolling programmes of research. The company's

strategy would be to build branded services to sell to growing markets.

Mr Cowling cited as an example Optima, which helps clients to assess the potential for new products. This computer-based product had already doubled 1992 sales to both Europe and the UK.

The company was also seeking new ways of disseminating its information. Next month it will open a publications division to issue reports based on data already gathered.

With no debt and cash in hand of £7.17m, the company was on the look out for acquisitions. In May this year it paid £150,000 for Passmore Marketing Services, a telephone marketing company which would enable the group to make better use of its telephone system. Earnings per share rose to 0.47p compared with 0.28p. The interim dividend is 0.13p (0.1p).

## Everest Foods falls to £2.09m

By Catherine Milton

PATCHY demand for frozen chips and a fire at one of its sites reduced pre-tax profits at Everest Foods from £3.31m to £2.09m in the year to May 31.

However directors, optimistic about a new line of frozen jacket potatoes, recommended a modest increase in the final dividend to 2.5p (2.4p) for a total of 3.7p (3.5p). Earnings per share were almost halved to 1.5p (0.95p).

"There is now a trend of increasing turnover in all our divisions on existing products and we view the prospects for our new potato products as very encouraging," said Mr Bob Gilbert, chairman.

He added that the first half had been hit by disruption due to the implementation of the capital expenditure programme and pressure on selling prices. In the second half demand deteriorated and, coupled with

the fire at Wombourne in April, further affected the performance.

Turnover fell to £31.9m (£33.8m). A breakdown of operating profits showed the frozen chips and related potato products division at £1.9m (£3.03m), egg production £309,000 (£396,000) and specialist food distribution £175,000 (£292,000).

The company said trading in frozen foods had seen satisfactory volumes, but that demand for the core frozen chip products became patchy in the second half.

Egg production had been reorganised but prices were still below the industry's average production costs.

The specialist foods distribution division was exposed to the recession. However, Mr Gilbert said: "A new management team has been installed during the second part of the year, with the express brief to increase future profitability."

## Higher margins boost SR Gent

By Nigel Clark

THE CONCENTRATION on higher margin products helped SR Gent, the Barnsley-based Marks and Spencer garment supplier, report pre-tax profits of £2.52m for the year to June 30, a rise of 18 per cent on the comparable £2.12m.

Turnover fell 6 per cent from £123m, including £2.66m from discontinued activities, to £120.5m with £4.45m from acquisitions. The fall for continuing activities was 5 per

cent. Mr Peter Wolff, chairman, said the sales fall was the result of the rationalisation of certain ranges. He added that overseas production of specialised garments had risen over the year to 46 per cent of sales by the period end.

During the year the retail division became fully owned and was relaunched under the Susan Woolf name. Mr Wolff said the financial impact was reflected in the figures but would ease as additional stores

came on stream.

The pre-tax figure was struck after share of losses of related companies of £430,000 (£66,000) and net interest charges which fell from £2.71m to £1.93m.

Earnings per share came out higher at 3.2p, against 2.4p and the proposed final dividend is being raised to 1.35p making an increased total for the year of 2.1p, compared with 2p.

The shares dipped 6p to 62p in a falling market.

## Oliver Group cuts loss to £2.24m

OLIVER Group, the footwear retailer, made progress in cutting its losses in the first half of 1993 with a fall from £4.87m to £2.24m pre-tax.

Turnover fell 11.5 per cent to £23.2m (£27.5m) the result of branch closures. During the

period 24 were closed with a further 16 poor performing branches earmarked for the second half.

The pre-tax figure was helped by cost cutting and a lower interest charge of £567,000 (£1.28m).

The company has announced the intended closure of Brick Studio, the remaining non-footwear activity. Completion is scheduled for the fourth quarter of this year.

Losses per share came out at 8.86p (19.28p).

## Roskel slides to £528,000 at interim

By Garry Finner

BOTH TURNOVER and pre-tax profits were lower at Roskel, the suspended ceiling systems group, for the first six months of 1993, and the directors warn that trading in the short term was unlikely to improve.

The result was down from £652,000 to £528,000 from turnover of £21.72m (£22.82m). The directors said however, that in the medium term they looked forward to growth in the group's profitability "as the construction industry recovers from recession".

The interim is maintained at 1.5p despite losses of £1.2m. The directors reported that Roskel Contracts had been notable for its consistent contribution to turnover and they said this company's strength in

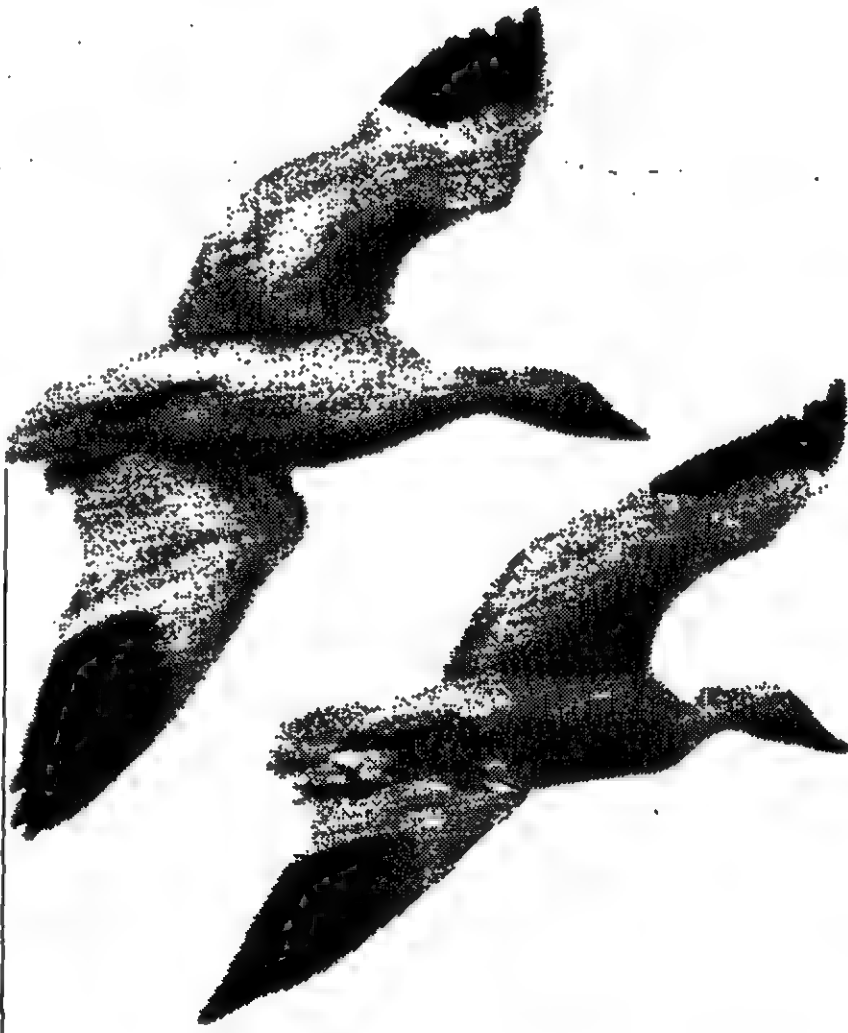
the market place had enabled it "to secure a satisfactory level of new business, commercial as well as retail, but margins are under pressure".

Sales at CP Supplies were ahead very slightly but profits, still affected by bad debts, were lower than last time. Tenon Partition Systems incurred development costs, but was expanding satisfactorily, they said.

Hire rates at Access Rental remained weak but utilisation improved a little and enabled the company to trade at break even for the first time since 1990.

Pre-tax figure for the period was after interest payable of £176,000 (£218,000) and a £56,000 share of an associate's loss. Earnings per share were 2.23p compared with 2.91p.

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## COMPANY NEWS: UK

## Bowthorpe up to £27m after currency gains

By Paul Taylor

BOWTHORPE, the UK-based international electronic and electrical components group, brushed aside difficult first-half trading conditions to post a 20 per cent increase in pre-tax profits and raise the interim dividend.

Pre-tax profits increased from £22.42m to £26.95m in the six months to June 30 on turnover which grew by 30 per cent to £103.6m (£125.6m) including £891,000 from acquisitions. Earnings per share increased by 16 per cent to 9.05p (7.88p) and the group is to pay an interim dividend of 1.88p (1.79p). The shares gained up to close at 360p yesterday.

Currency movements added £16.4m to turnover in the first half and £3.1m to pre-tax profits. A further, smaller currency gain is expected during the current half.

Mr John Westhead, chief executive, commenting on the results said, "We are pleased to have produced a useful improvement in performance in what has been a difficult operating environment."

"For 1993 as a whole, we expect to report further modest organic growth. In the US demand shows steady growth, but Germany continues in recession. In the UK the recovery is patchy but continuing."

Group operating profits rose by 28 per cent to £27.6m (£21.9m), while net interest payments totalled £594,000 (£548,000 receipts).

UK operating profits increased to £6.9m (£4.5m) reflecting the acquisitions

made in 1992 and a small degree of improvement in general economic conditions. UK operations contributed 25 (22) per cent of group profits while sales increased by 37 per cent to £50.7m.

In the US, generally improving demand, together with improved efficiency and market penetration produced higher operating profits of £9.2m (£8.3m) on sales which grew by 45 per cent to £51.6m. However, operating profits from Bowthorpe's Continental European operations - mainly in Germany - slipped by 3 per cent to £8.5m, with gains on currency offset by the effects of the recession.

Despite acquisitions which totalled £4.8m and £10.5m of capital expenditure during the first half, the group generated £7.5m (£7.4m) in net cash. Net borrowings totalled £16m at the end of June, down from £17.2m at the end of December, giving gearing of 14 per cent.

## COMMENT

Bowthorpe continues to outperform expectations with profit gains in the US and UK more than offsetting the downturn in Continental Europe. Sales and operating profits from electronics now represent about two-thirds of the total with electrical products holding the balance - a reversal of the position three years ago. Meanwhile Bowthorpe's highly selective acquisition strategy will continue. Full year pre-tax profits should reach £50m producing earnings of 17.1p and a lofty but deserved prospective p/e of 21.

## Co-op Bank almost doubles to £8.1m

By Andrew Jack

LOWER bad debt provisions and increased interest income helped to nearly double pre-tax profits at Co-operative Bank to £8.1m in the 28 weeks to July 23.

In interim figures released yesterday, the bank reported earnings of 0.37p per share, compared with losses of 0.02p in the first half last year.

Mr Terry Thomas, managing director, said: "We are very pleased. We are ahead of where we thought we would be."

The bank reduced provisions against bad debts by 14 per cent to £19.5m (£22.8m). Mr Thomas said the reduction reflected more customers repaying their debts and a "cleaning out" of the corporate loan book.

Net interest income was £89.4m (£87.9m), after a reduction in interest receivable to £133.7m (£178m) was more than offset by a reduced interest charge of £44.3m (£10.2m).

Dealing profits more than doubled to £1.8m (£760,000), while non-interest income rose substantially to £55.8m (£49.2m).

Deposits rose by nearly 9 per cent, which Mr Thomas said partly reflected the bank's ethical code launched last year. He said 38 per cent of new customers mentioned this as one reason why they joined.

Staff costs rose to £43.3m (£41.3m) including severance payments and miscellaneous costs of £3.6m (£2.2m).

Other expenses jumped to £43.8m (£35.9m). These included higher marketing and promotional costs, enhancing customer services and including a switch to 24-hour operation of telephone banking and work on centralised banking administration - technology and other infrastructure developments.

Operating income rose 8 per cent to £119.4m (£110.3m). The tax charge was £3.1m (£1.6m). The interim balance sheet showed contingent liabilities of £134.4m, down from £144m.

The bank's figures were presented in the format required by FRS 3, the new accounting standard on profit and loss account. Mr Thomas said: "For Joe Punter this is just a maze of numbers. And the definitions leave something to be desired."

But referring to the greater disclosure of information required by the standard, he said: "It must be in the best interests of depositors and shareholders because it's all hanging out for you to see."

## Knocked off the published timetable

National Express has been forced to rethink its business strategy, reports Tim Burt

THE LINGERING recession has delayed the arrival of National Express at the destination for which it set out when it was floated last December.

When it came to the market, the coach group missed out a route to a more efficient and modern structure with plans to refurbish ageing bus stations, upgrade its express coach fleet and to invest in a new reservation system.

National Express assumed it could justify the modernisation programme, necessary if the group was to squeeze greater margins from its low budget customers, because it expected passenger volumes to grow as the recession came to an end.

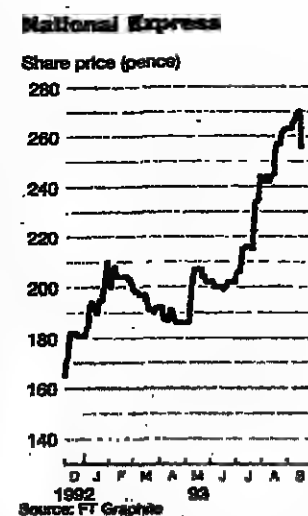
Its plans, however, have been frustrated by British Rail, which has lured away coach travellers with fare discounts of up to 80 per cent. The coach company has complained that InterCity, the express division of BR, has used cross-subsidies from other parts of the rail network to offer fares which it finds hard to match.

"We thought that the recession was over and that people would be spending more money. We were ready to put emphasis on better quality. But BR is competing on price only, not on quality," says Mr Adam Mills, deputy chief executive at National Express.

Recession and the cost of cutting its workforce by 10 per cent took their toll on the interim results reported earlier this week. Pre-tax profits fell 46 per cent to £585,000 after £427,000 of redundancy charges in its express coach division.

Turnover slipped from £59m to £57.7m. The shares, however, which dipped slightly on the results, closed down 13p to 266p yesterday, well ahead of their 186p flotation price.

Wary of the continuing impact of the recession and uncertain how long BR will maintain aggressive price competition, the group has decided



to slow the pace of new investment in its core express coach business.

Moves to computerise reservations and ticket inquiries are more likely to involve expansion of the existing system to include mechanised ticketing rather than a completely new system. Meanwhile, coach station refurbishment is proceeding on a piecemeal basis: the Liverpool hub is being upgraded with the aid of local authority and EC grant aid, for example, but plans to redevelop the Birmingham station have been postponed.

The relaunch of its fleet of Rapid coaches has also been delayed until next year because of new technical modifications to meet new EC and Department of Transport regulations.

Mr Mills says the delays have not been forced on the company by cash constraints. It is being cautious with its strategy rather than expanding rapidly, he says. "We've slowed the pace of investment in National Express Coaches to ensure we get a payback on our spending."

Hampered by the difficult trading conditions in its inter-

city coach business, the company has embarked recently on alternative routes to reach the goal of steady profits.

National Express is offsetting declining demand for its domestic services by developing its participation in Euro-lines, the inter-European coach service comprising 40 different companies, in which the UK group now claims to be one of the leading players.

Traffic volumes to western European cities have grown by 18 per cent since flotation, and passenger demand on routes to the east have exceeded expectations. "Services to Warsaw and Prague have grown rapidly from a standing start; we're running 18 full coaches a week to Poland," says Mr Mills.

By the end of the decade National Express expects passenger volume on services in Europe, where it enjoys a greater price differential against airlines, to match its domestic network. Yet competition with airlines on some European routes has not deterred the company from forging alliances with the aviation industry at home.

National Express's exposure to airports, which first began through inter-airport coach services such as between Heathrow and Gatwick, has given the group an appetite for more. The company already has passenger transfer contracts with British Airways and is now discussing links with other airlines.

The scope is enormous - the group's Birmingham-based management team has examined services as diverse as baggage handling services, aircraft first class travel.

Earlier this year, the company expanded its move away from coach operations with the £27.1m acquisition of East Midlands International Airport in Leicestershire.



Ray McEnhill, chief executive (left), and Adam Mills: taking alternative routes to reach the goal of steady profits

Mr Mills says the airport is a fairly small business, but its profits - £3.36m in the year to last March - will be a welcome injection for the group.

The acquisition - funded by a £3.75m rights issue, cash and £17.5m of medium-term bank debt - is part of a wider strategy to forge links with tour operators and expand airport operations.

Mr Mills admits that the company is looking at other airports, but says it is not about to make imminent acquisitions. Instead, it is opting for

a measured expansion of non-core activities while trying to enhance the margins on its domestic coach business.

National Express, he claims, is negotiating its way slowly around the obstacles of weak UK passenger demand while making strategic decisions to reduce its reliance on coach services. "We like high volume, low cost transport. That means not bidding for assets which are overvalued; we will specialise instead on turning round former state-owned enterprises."

## CALA in black after two years of losses

By Peter Franklin

AFTER TWO years in the red, a strong recovery in the second half enabled CALA Group, the housebuilder, to report a pre-tax profit of £239,000 for the year to end-June.

Mr Geoffrey Hall, chairman, said the outcome - which compared with a deficit of £980,000 last time - had been struck after write-downs totalling £1.1m to reflect the fall in the value of housebuilding land and of the group's remaining property interests.

Turnover was up by £3m to £99.2m and after a tax credit of £478,000, arising from the recovery of ACT written off last year, earnings per share worked through at 1.88p (3.44p losses). As forecast, there is a

final dividend of 1.55p (1.15p) to maintain the total at 3.3p.

Net borrowings were reduced by £4.8m during the period and stood at £11.1m at the year end, said Mr Hall, while significant progress had been made in reducing overheads - down from £9.9m to £7.1m over the past three years.

The group's three housebuilding businesses sold a total of 676 units during the year at an average price of £122,000 - compared with 604 units at an average £114,000 last year.

However, the commercial property market had deteriorated further from its already depressed state. Mr Hall said, and the group's programme of disposals had been at a much slower pace than had been hoped.

Operating income rose 8 per cent to £119.4m (£110.3m). The tax charge was £3.1m (£1.6m). The interim balance sheet showed contingent liabilities of £134.4m, down from £144m.

The bank's figures were presented in the format required by FRS 3, the new accounting standard on profit and loss account. Mr Thomas said: "For Joe Punter this is just a maze of numbers. And the definitions leave something to be desired."

But referring to the greater disclosure of information required by the standard, he said: "It must be in the best interests of depositors and shareholders because it's all hanging out for you to see."

## Calor surges to £27.6m as restructuring pays off

By David Blackwell

CALOR GROUP, the liquefied petroleum gas distributor, more than doubled first-half pre-tax profits as the benefits of a two-year restructuring programme started to emerge.

They rose to £27.6m from £11.5m last time, which included restructuring costs of £14.8m.

"A fair proportion of the restructuring is at last feeding its way through to the bottom line," said Mr Hamish Macpherson, group treasurer. After allowing for the restructuring, profits were still 5 per cent ahead.

Price cuts made to defend Calor's UK market share resulted in a drop in turnover to £182.8m from a previous £184.5m. Mild weather was experienced early in both years, and the same tonnage of gas was sold in both periods.

Mr Macpherson described the results as "satisfactory, considering we did not get the cold weather." Five of the last six UK winters have been mild.

Margins also suffered from a slight rise in the price of gas supplies and the weakening of sterling against the dollar. However, the company said its cost reduction programme had helped it to

improve its competitive position against other fuel suppliers without materially affecting profits. The core gas business made operating profits of £29.6m (£31m).

Total operating profit was £27.7m, up from £27m last time.

Net interest paid was £100,000 (£700,000), partly because of lower rates, and partly because of lower borrowings. The latter reflected the low level of capital expenditure because of lack of growth in the domestic and commercial sectors. At the end of the half, gearing was zero and the group had net cash of £36.5m.

Losses for the air separation business, which makes equipment for dispensing beer, were reduced to £1.6m from a previous £3.8m. The company said the division was making progress and had installed further systems "with a high level of customer satisfaction."

The Pam Gas Central European venture with SHV, the Dutch investment company which owns 48.2 per cent of Calor's stock, and Primagaz, the French LPG distributor, was continuing profitably in Poland, Hungary and Slovakia. Earnings per share were up to 10.4p from 4.1p. The interim dividend is unchanged at 8p.

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## Bernard Matthews shares up 6p after recovery to £4.64m

By Peter Pearce

SHARES in Bernard Matthews climbed 6p to 79p as the poultry processor announced pre-tax profits for the 28 weeks to July 18 more than doubled from last time's depressed £2.13m to £4.64m. Turnover increased from £66.7m to £88.3m.

Mr David Joll, managing director, said Matthews was in "a recovery situation", but had gained its profits rise "under difficult conditions".

The profits advance in continuing operations to £4.63m (£2.15m) on turnover of £79.3m (£65.7m) came mostly from branded added value products, he said, adding that this now included a new range of cooked meats. "This latter had grown from nothing a year ago to a £20m brand now."

Also, the low-priced imports from Europe and the US which had adversely affected 1992 had been pushed out by the devaluation of sterling as well as by low-priced UK turkeys, Mr Joll said.

He emphasised that last year whole birds accounted for only 17 per cent of sales and had been a loss-making part of the business.

Very competitively priced

UK turkeys had driven up consumption at Easter from about 2m normally to about 3.5m, partly because lamb had been expensive.

Acquisitions - essentially Sarvari Baromfi, the Hungarian producer of turkey, chicken, goose and duck meat acquired for £2.7m in March - contributed £2.5m to turnover and £464,000 to profits. Mr Joll expected the profits to rise once Matthews had brought its technology to bear and introduced its product range. Sarvari serves the Hungarian, Austrian and Swiss markets.

Progress in France, where Matthews will spend more than £4m in TV advertising this year, has been slower. The company said it still has substantial roads to make in the French market.

Rather than simply agreeing with the headquarters of the various French food stores chains to stock Matthews' products, Mr Joll said the company often had to convince regional managers, and in some cases, individual store managers.

The dividend is lifted by a "cautious" 10 per cent to 1.1p, payable from increased earnings of 2.5p (1.13p) per share.

## Try first half profit sharply lower at £68,000

PROFITS of Try Group, the contractor and housebuilder, fell from £380,000 to £68,000 pre-tax for the half year ended June 30.

The market remained competitive and inevitably affected the results, the directors pointed out. Turnover was little changed at £62m compared with a previous £63m.

They added that the early months of the year brought



reports Tim Burt

Wells, taking

**... pays off**

• £11.4m

Profit: \$11,000

4-1319 Holdings num  
in 30 advance

### Foreign & Colonial High assets rise

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## COMMODITIES AND AGRICULTURE

## All systems 'go' for coffee scheme

By Sarita Kendall in Bogota

COFFEE-PRODUCING countries meeting in Bogota have agreed on both the retention scheme and the statutes for the new producers' association to be launched next week in Brazil.

Mr Jorge Cardenas, head of the Colombian Coffee Growers' Federation, stressed that producers were not forming a cartel but trying to ensure organised supply.

Retention will begin on October 1 with each country holding back 20 bags of coffee for every 100 bags exported. If the coffee price index stays at 75 cents a lb or more for 20 days retention will drop to 10 per cent of exports. If the price then reaches 80 cents a lb or more for 10 days there will be no further retention until prices drop again.

All the coffee held back must come from the current harvest and an international company will audit the scheme. Penalties will be applied to those not keeping back the full amount—for example, producers will have to retain double any proven shortfall. The association's committee will decide whether stocks are to be freed and when.

## Reduction in world wool output forecast

By Deborah Hargreaves

THE WORLD wool clip is expected to be 5 per cent lower in the 1993-94 crop year (ending June 30) at 1.6m tonnes, according to the latest Wool Statistics report by the International Wool Textile Organisation.

This represents a 20 per cent fall from the record set in 1989-1990 as growers have turned away from wool to other crops in the face of depressed world demand. World producers' stocks remain high and total supplies are expected to amount to 2.2m tonnes—4 per cent below last year, but still excessive by historical levels.

The wool organisation is looking for a pick-up in world demand as the recession ends and points out that stocks are low in some consuming countries, including the US. But with overall economic growth proceeding at a slow rate it expects the scope for increased demand this year to be limited.

## CIS proposes quota plan to stem aluminium flood

By Kenneth Gooding, Mining Correspondent

THE ALUMINIUM industry of the Commonwealth of Independent States has offered to start a quota system to reduce output as a gesture to ease tensions caused by exports to the west.

The offer was made by Mr Igor Prokopyov, president of Concern Aluminium, the holding company for the CIS industry, at the first face-to-face meeting with European Commission representatives in Brussels.

Mr Prokopyov said Concern Aluminium envisaged a voluntary production quota system similar to the one attempted by the Organisation of Petroleum Exporting Countries, according to reports about the meeting by European industry representatives.

## EBRD to advance \$90m loan for Russia's Polar Lights oil project

By Layla Boulton in Moscow

THE EUROPEAN Bank for Reconstruction and Development yesterday signed a \$90m loan for Polar Lights, a joint venture between the US oil company Conoco and Arkhangel'skaya, a Russian state-owned company.

The loan is part of a \$350m project involving another \$90m loan from the International Finance Corporation and \$50m from the Overseas Private Investment Corporation for the development of the Ardin oil field.

## FAO official gloomy on price outlook for tea

By Layla Boulton in Moscow

WORLD TEA prices are likely to soften over the next seven years because of a projected surplus in output of black tea by the turn of the century, a senior official of the United Nations' Food and Agricultural Organisation said yesterday.

Mr Gunther Wurdack, secretary of the Intergovernmental Group on Tea in the FAO, said that despite the projected weakening in already depressed prices, it was unlikely that this would translate into a significant increase in consumption.

## Bangladesh unveils jute rescue plan

By Layla Boulton in Moscow

BANGLADESH WILL create a \$2.5m loan fund, ban production of synthetic bags and provide interest-free loans in an effort to save its ailing jute industry, Mr Hannan Shah, the jute minister said this week.

Overmanaging and inefficiency have been identified as the main reasons for huge losses in the public sector jute industry, he told parliament on Tuesday night.

## Philippines plans to export more sugar

By Layla Boulton in Moscow

THE PHILIPPINE Sugar Regulatory Administration plans to sell more sugar on the world market in 1993-94 to dispose of its huge stockpile, reports Reuters from Manila.

About 500,000 tonnes will be exported this season against the previous crop year's nearly 150,000 tonnes world market allocation, the SRA said. Total sugar production is expected to reach 2m tonnes in 1993-94.

## Shepherd hopeful that Argentina will lift 'mad cow' ban

By Deborah Hargreaves

MRS GILLIAN Shepherd said she hoped for a rapid lifting of the ban on imports of British cattle to Argentina after talks held during her recent trade promotion trip to three South American countries.

Argentina remains one of 17 countries still banning British cattle for breeding because of the outbreak of "mad cow" disease in the 1980s.

## Cotton prices under pressure in Pakistan

By Deborah Hargreaves

PAKISTANI COTTON prices have slumped in the past two weeks amid signs of a big crop after last year's poor harvest, reports Reuters from Karachi.

High domestic interest rates have exacerbated the situation by keeping buyers out of the market, analysts say.

Prices for the 1993-94 (July-June) crop had fallen by nearly \$500 (\$4.40, or 17 per cent, since the season officially started on September 1, said Mr Akbarali Hashwani, chairman of the private Karachi Cotton Association.

He forecast a further drop in prices on the good crop. "Quality is good and quantity is large," he said.

Mr Hashwani explained that the crop was doing well because of recent hot dry weather in cotton-growing areas in the south and centre of the country.

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Mr Gunther Wurdack, secretary of the Intergovernmental Group on Tea in the FAO, said that despite the projected weakening in already depressed prices, it was unlikely that this would translate into a significant increase in consumption.

He told a commodities conference here that global production of black tea was forecast at 2,638m kg in the year 2000, compared with projected demand of 2,548m kg.

"The projected imbalance of supply outstripping demand would indicate that already depressed prices could weaken further," he said. "This in turn could force a number of growers to curtail production since already current prices obtained by some teas do not cover costs."

In a paper read at the century conference of the United Planters' Association of Southern India, Mr Wurdack said this would not be in the interests of the tea industry. He suggested it might induce both exporters and importers to reconsider the idea of raising the quality of tea entering the export market by implementing minimum quality standards. Quality improvement would help bolster international prices by reducing supply, he said.

The FAO is to hold an inter-governmental group meeting in 1993, it said.

## Bangladesh unveils jute rescue plan

By Layla Boulton in Moscow

BANGLADESH WILL create a \$2.5m loan fund, ban production of synthetic bags and provide interest-free loans in an effort to save its ailing jute industry, Mr Hannan Shah, the jute minister said this week.

Overmanaging and inefficiency have been identified as the main reasons for huge losses in the public sector jute industry, he told parliament on Tuesday night.

Public sector jute mills had lost Tk250bn (\$4.2bn) since 1972 because of the shrinking international market and low efficiency.

The minister said the government would create a revolving fund of \$2.5m to offer mills loans at 3 per cent interest over 12 years. He added that the government would ban production of polythene bags and other synthetic products that posed a major threat to the jute market. However, he gave no date for imposing the ban or for implementing the loan plan.

Bangladesh, which is under pressure from the World Bank to sack excess workers and sell loss-making jute mills, earns about \$420m or nearly 17 per cent of its annual receipts from jute and jute goods.

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About 500,000 tonnes will be exported this season against the previous crop year's nearly 150,000 tonnes world market allocation, the SRA said. Total sugar production is expected to reach 2m tonnes in 1993-94.

SRA administrator Mr Rodolfo Gamboa said the increased allocation was because of a huge stock of sugar, amounting to some 400,000 tonnes, carried over from 1992-93.

Some sugar exporters were not keen to sell abroad, however, because the world price of 6 to 8 US cents a lb was much lower than the domestic cost of production of about 13 cents a lb, Gamboa noted.

He said the large stock would not depress domestic prices because of delays in milling for the last crop by one to two months to around November this year. The delays were because of a drought that prevented early plantings last year, he added.

## WORLD COMMODITIES PRICES

## MARKET REPORT

The London Commodity Exchange COCOA market submitted to a minor correction yesterday, easing further in the afternoon as the market seemed reconciled to let the profit-takers return, albeit temporarily, to the driving seat. The December futures price closed at \$262 a tonne, down \$18 on the close and \$28 below this week's peak. "We've been seeing this for some time—the market rises sharply, drops back about \$25, but then picks itself up again," one dealer said. COFFEES futures had also been showing substantial losses but recovered towards the close as traders anticipated positive

## London Markets

SPOT MARKETS	
Cocoa oil (per barrel FOB/Nov)	+ or -
Oilseed	\$13.81-13.87 -0.05
Brent Blend (Nov)	\$15.96-15.98 -0.01
WTI (11 pm est)	\$17.17-17.18 -0.16
Oil products	
NWEE prompt delivery per barrel CIF	+ or -
Premium Gasoline	\$185-187 +3
Gas Oil	\$185-186 -1
Heavy Fuel Oil	\$90-92
Naphtha	\$148-148
Petroleum Argus Estimates	
Distillate	
Gas (per ton) oil	\$347.80 +2.35
Sheep (per ton) oil	\$411.50 -1
Pork (per ton) oil	\$323.75 +2
Pork (per ton) oil	\$117.50 +1.75
Copper (US Producer)	\$0.00
Lead (US Producer)	\$0.00
Tin (Quinta Lumpur market)	\$112.00 +0.03
Tin (New York)	\$112.00 +0.03
Zinc (US Prime Western)	\$2.00
Cattle live weight	\$118.50 -0.25
Sheep live weight	\$73.70 -0.25
Pigs live weight	\$42.50 -0.10
London daily sugar (raw)	\$250.00 -1
London daily sugar (white)	\$283.2 -0.4
Tate and Lyle sugar (white)	\$272.5 -0.5
Barley (English feed)	110.00
Maize (US No 3 yellow)	\$120.00
Wheat (US Dark Northern)	\$108.00
Rubber (CIS)	\$0.75 -0.5
Rubber (RSS No 1)	\$1.00 -0.5
Coconut oil (Philippines)	\$417.50 -1
Palm oil (Malaysia)	\$337.50 -0.5
Copra (Philippines)	\$290.00
Cotton (US No 11)	\$56.50
Wool (US Super)	\$1.00

COCOA - LSE			
Close	Previous	High/Low	\$/tonne
Dec	262	260	270 260
Nov	262	260	270 260
Oct	262	260	270 260
Jul	262	260	270 260
Apr	262	260	270 260
Jan	262	260	270 260
Oct	262	260	270 260
Jul	262	260	270 260
Apr	262	260	270 260
Jan	262	260	270 260
Oct	262	260	270 260
Jul	262	260	270 260
Apr	262	260	270 260
Jan	262	260	270 260

COFFEE - LSE			
Close	Previous	High/Low	\$/tonne
Dec	130	127	135 130
Nov	130	127	135 130
Oct	130	127	135 130
Jul	130	127	135 130
Apr	130	127	135 130
Jan	130	127	135 130
Oct	130	127	135 130
Jul	130	127	135 130
Apr	130	127	135 130
Jan	130	127	135 130
Oct	130	127	135 130
Jul	130	127	135 130
Apr	130	127	135 130
Jan	130	127	135 130

COTTON - LSE			
Close	Previous	High/Low	\$/tonne
Dec	100	98	102 100
Nov	100	98	102 100
Oct	100	98	102 100
Jul	100	98	102 100
Apr	100	98	102 100
Jan	100	98	102 100
Oct	100	98	102 100
Jul	100	98	102 100
Apr	100	98	102 100
Jan	100	98	102 100
Oct	100	98	102 100
Jul	100	98	102 100
Apr	100	98	102 100
Jan	100	98	102 100

COTTON - LSE			
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Dec	100	98	102 100
Nov	100	98	102 100
Oct	100	98	102 100
Jul	100	98	102 100
Apr	100	98	102 100
Jan	100	98	102 100
Oct	100	98	102 100
Jul	100	98	102 100
Apr	100	98	102 100
Jan	100	98	102 100
Oct	100	98	102 100
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COTTON - LSE			
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Dec	100	98	102 100
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Jul	100	98	102 100
Apr	100	98	102 100
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Jul	100	98	102 100
Apr	100	98	102 100
Jan	100	98	102 100
Oct	100	98	102 100
Jul	100	98	102 100
Apr	100	98	102 100
Jan	100	98	102 100

LONDON METAL EXCHANGE			
Close	Previous	High/Low	AM Official
Aluminium	1110-11	1105-11	1105-11
Copper	102-10	101-10	101-10
Gold	102-10	101-10	101-10
Lead	102-10	101-10	101-10
Nickel	102-10	101-10	101-10
Platinum	102-10	101-10	101-10
Silver	102-10	101-10	101-10
Steel	102-10	101-10	101-10
Wool	102-10	101-10	101-10
Zinc	102-10	101-10	101-10

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Steel	102-10	101-10	101-10
Wool	102-10	101-10	101-10
Zinc	102-10	101-10	101-10

AM Official	Karl com	Open Interest
	Total daily turnover	38,284 lots
1109-91.5	1129-5.0	246,865 lots
1138-5.0	Total daily turnover	103,687 lots
1919-30	1881-50	173,484 lots
1872-5-73.5	Total daily turnover	3,754 lots
381-82	394-55	22,849 lots
385-95.5	Total daily turnover	13,171 lots
4405-10	4510-50	45,861 lots
4458-70	Total daily turnover	5,312 lots
4480-92	4520-30	10,933 lots
4540-42	Total daily turnover	11,892 lots
873-74	885-35	80,435 lots
886-55		
6 months: 1.6327		6 months: 1.6598



FT-SE Actuaries Share Indices						THE UK SERIES					
FT-SE 100		FT-SE MID 250		FT-A ALL-SHARE							
2989.4 -38.6		3424.1 -34.5		1488.64 -17.46							
	Day's % 15 Sep change	Sep 14	Sep 13	Sep 10	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	3rd mt yield	Ytd Return	
FT-SE 100	2989.4	-1.3	3028.0	3054.8	3037.0	2378.5	3.92	5.82	21.28	68.18	1082.8
FT-SE MID 250	3424.1	-1.0	3458.6	3471.5	3475.8	2187.8	3.54	5.57	22.03	68.20	1226.9
FT-SE ALL-SHARE	1488.64	-1.0	1512.9	1485.7	1486.7	1160.0	3.94	5.96	20.81	70.46	1230.4
FT-SE A 250	1500.2	-1.2	1491.8	1491.0	1505.8	1136.6	3.83	6.76	24.31	33.32	1112.6
FT-SE Smallcap	1777.36	-0.4	1778.8	1775.5	1768.50	-	3.41	5.08	35.78	30.22	1300.8
FT-A Smallcap	1775.21	-0.4	1778.2	1778.6	1787.41	-	3.42	4.95	35.86	31.43	1252.4
FT-A ALL-SHARE	1488.64	-1.2	1538.10	1505.43	1481.28	1115.60	3.70	5.85	21.99	56.77	1115.1

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2
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29	Other (See Line 10)	2127.89	-1307	2147.43	2143.74	1447.50	2.49	4.57	24.00	32.06	136.04		
31	Paid-in Capital and Payables(1)	683.32	-486	807.89	811	900.41	833.17	3.32	6.20	23.25	18.11	1169.08	
34	Stress(3)	1127.94	-1	1265.81	1355.21	1293.03	809.23	2.84	4.59	23.01	18.45	1131.94	
35	Taxes(3)	845.03	-41	944.22	944.67	947.24	584.33	3.86	5.58	22.02	17.64	1150.50	
40	OTHER (SHOWN IN 10)	1990.71	-1	1657	1597.71	1559.70	1265.04	4.09	5.99	17.22	14.03	1169.28	
41	Other (See Line 10)	1653.38	-1	1653.38	1580.63	1570.19	1259.67	2.92	4.82	21.22	16.98	1125.88	
42	Chemicals(2)	572.37	-90	1674.76	1573.08	1568.72	1270.89	4.22	6.31	>	43.69	1128.85	
43	Compliments(1)	1498.94	-82	1550.80	1500.82	1513.34	1114.58	5.10	7.18	16.76	16.23	1120.86	
44	Transport(1)	914.53	-1	918.51	914.55	919.70	2204.51	3.88	4.11	28.74	28.55	1181.58	
45	Transport(1)	2926.71	-1	1968	2026.71	2026.71	1134.10	4.61	11.64	18.49	18.49	1134.10	
46	Transport (See Line 45)	1865.43	-1	1854.67	1830.31	1833.16	1376.72	3.75	5.70	21.27	20.88	1094.30	
47	Water(1)	3718.44	-1	3761.58	3628.94	3728.72	2822.85	4.77	11.84	4.46	106.71	1183.27	
48	Miscellaneous(2)	2017.16	-1	155	2441.59	2427.34	2400.11	1968.72	4.40	8.03	14.89	30.99	1077.86
49	INDUSTRIAL GROUPING	1092.68	-1	1267.08	1227.74	1354.26	1195.73	3.77	6.23	18.55	32.92	1077.86	
51	Oil & Gas(1)	2674.81	-1	2610.13	2616.68	2601.21	1891.27	3.58	8.25	24.01	34.48	1175.05	
52	"SOFT" SHARE HOLDINGS	180.41	-1	1262.50	1264.46	1263.80	1250.01	5.83	5.34	19.80	34.41	1077.65	
53	FINANCIAL GROUPING	1122.08	-1	1153.56	1153.56	1137.00	1000.00	3.94	3.91	45.13	35.07	1077.65	
54	Banking(3)	1051.26	-1	1051.26	1051.26	1051.26	1051.26	3.94	4.01	43.93	39.89	1051.26	
55	Insurance (See Line 54)	2434.04	-1	2027.01	2355.88	2008.91	1390.42	4.61	7.70	28.88	28.88	1158.33	
56	Insurance (Compulsory)	801.09	-1	713.36	714.74	714.54	491.83	4.78	2	>	30.75	1157.09	
57	Insurance Broker(1)	787.28	-47	986.34	825.40	821.87	501.53	3.58	4.70	31.31	24.99	1168.08	
58	Merchant Shippers	655.26	-82	819.60	819.60	819.60	492.27	3.94	3.81	33.17	13.82	1045.18	
59	Property(1)	412.04	-81	1040.47	1040.73	1040.73	600.77	2.92	3.85	28.47	12.91	1047.16	
60	Transport (See Line 59)	412.04	-81	447.75	440.75	440.75	217.48	2.92	3.58	27.45	12.91	1047.16	
71	Investment Trust(11)	1444.14	-1	1580.40	1588.37	1577.72	1146.82	3.51	2.91	48.61	26.34	1253.94	
80	FT ALL-ALL-SHARED	1981.58	-1	1508.10	1606.63	1611.26	1164.80	2.79	5.85	123.49	32.84	1123.49	

Major Group	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40	2040-41	2041-42	2042-43	2043-44	2044-45	2045-46	2046-47	2047-48	2048-49	2049-50	2050-51	2051-52	2052-53	2053-54	2054-55	2055-56	2056-57	2057-58	2058-59	2059-60	2060-61	2061-62	2062-63	2063-64	2064-65	2065-66	2066-67	2067-68	2068-69	2069-70	2070-71	2071-72	2072-73	2073-74	2074-75	2075-76	2076-77	2077-78	2078-79	2079-80	2080-81	2081-82	2082-83	2083-84	2084-85	2085-86	2086-87	2087-88	2088-89	2089-90	2090-91	2091-92	2092-93	2093-94	2094-95	2095-96	2096-97	2097-98	2098-99	2099-00	2100-01	2101-02	2102-03	2103-04	2104-05	2105-06	2106-07	2107-08	2108-09	2109-10	2110-11	2111-12	2112-13	2113-14	2114-15	2115-16	2116-17	2117-18	2118-19	2119-20	2120-21	2121-22	2122-23	2123-24	2124-25	2125-26	2126-27	2127-28	2128-29	2129-30	2130-31	2131-32	2132-33	2133-34	2134-35	2135-36	2136-37	2137-38	2138-39	2139-40	2140-41	2141-42	2142-43	2143-44	2144-45	2145-46	2146-47	2147-48	2148-49	2149-50	2150-51	2151-52	2152-53	2153-54	2154-55	2155-56	2156-57	2157-58	2158-59	2159-60	2160-61	2161-62	2162-63	2163-64	2164-65	2165-66	2166-67	2167-68	2168-69	2169-70	2170-71	2171-72	2172-73	2173-74	2174-75	2175-76	2176-77	2177-78	2178-79	2179-80	2180-81	2181-82	2182-83	2183-84	2184-85	2185-86	2186-87	2187-88	2188-89	2189-90	2190-91	2191-92	2192-93	2193-94	2194-95	2195-96	2196-97	2197-98	2198-99	2199-00	2200-01	2201-02	2202-03	2203-04	2204-05	2205-06	2206-07	2207-08	2208-09	2209-10	2210-11	2211-12	2212-13	2213-14	2214-15	2215-16	2216-17	2217-18	2218-19	2219-20	2220-21	2221-22	2222-23	2223-24	2224-25	2225-26	2226-27	2227-28	2228-29	2229-30	2230-31	2231-32	2232-33	2233-34	2234-35	2235-36	2236-37	2237-38	2238-39	2239-40	2240-41	2241-42	2242-43	2243-44	2244-45	2245-46	2246-47	2247-48	2248-49	2249-50	2250-51	2251-52	2252-53	2253-54	2254-55	2255-56	2256-57	2257-58	2258-59	2259-60	2260-61	2261-62	2262-63	2263-64	2264-65	2265-66	2266-67	2267-68	2268-69	2269-70	2270-71	2271-72	2272-73	2273-74	2274-75	2275-76	2276-77	2277-78	2278-79	2279-80	2280-81	2281-82	2282-83	2283-84	2284-85	2285-86	2286-87	2287-88	2288-89	2289-90	2290-91	2291-
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4	Changchun Chemical(1)	1488.9	0.02	1923.0	1908.2	1913.4	1174.58	5.10	7.18	16.76	48.23	1120.26
4	Transpetro(1)	1748.53	0.05	3183.0	3176.5	3191.20	2204.91	8.78	8.11	28.74	58.31	1161.55
45	Electronics	1876.71	0.01	1988.6	2001.9	1979.39	1382.01	4.01	11.46	10.04	61.43	1303.33
45	Telephone Networks(4)	1805.43	0.11	1264.67	1401.58	1833.16	1378.22	3.78	5.18	21.27	24.93	1094.26
47	Water(1)	3718.44	0.12	3791.96	3748.99	3725.72	2822.85	4.77	11.84	4.66	106.71	1183.21
48	Microelectronics(2)	2401.15	0.15	2441.59	2428.51	2444.11	1968.72	4.04	8.03	14.59	80.90	1006.38
49	INDUSTRIAL Grouping	1503.68	0.12	1527.08	1527.74	1534.26	1195.79	3.75	10.55	18.52	59.57	1077.60
51	Oil & Gas(1)	2673.08	0.14	2610.18	2616.68	2601.21	1901.57	6.38	8.32	10.11	64.48	1154.57

Hourly movements											
	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/Low	Low/High
PT-02 10H	3021.5	3020.5	3021.0	3072.1	3004.0	3002.8	2894.8	2593.2	2368.5	3022.6	2688.0
PT-02 10H 200	3027.3	3025.1	3045.9	3411.4	3434.3	3430.3	3428.7	3422.9	3424.5	3458.0	3424.1
PT-02-A 300	1519.9	1517.9	1514.3	1510.7	1507.1	1508.2	1502.0	1022.0	1499.9	1502.3	1499.9

Industry	Open	9:30	10:30	11:30	12:30	13:30	14:30	15:30	16:30	Close	Previous close	change
Commodities	1077.8	1074.1	1080.4	1084.8	1087.1	1090.9	1095.4	1099.8	1094.8	1096.9	1090.8	-21.0
Healthcare	1078.1	1079.3	1077.2	1074.2	1068.8	1068.8	1065.4	1065.8	1066.2	1066.7	1068.2	-5.5
Industrial	1005.7	1008.5	1008.4	1006.7	1006.2	1002.2	1001.8	1003.2	1003.4	1003.2	1003.7	-16.5
Utilities	1004.8	1004.9	1003.4	1003.3	1003.1	1003.0	1003.0	1003.0	1003.4	1003.2	1004.8	-14.6

**Additional information on the FT-RE Actresses which is included in Investors' Surveys.** Lists of constituents are available from The Financial Times Limited, One Southway Bridge, London EC8A 3HT. The FT-RE Actresses include insurance brokers, which cover a range of electronic and paper-based products. The increase in the price of the FT-Acquacut AS-Shares index from January 1993 means that the FT 500 now contains more stocks. It has been renamed the "FT 500\*", its Sector PE ratios greater than 80 are not shown; < Values are regressed.

The FT-RE 160, the FT-RE 160 and the FT-RE Actresses 300 indices are represented by the London Stock Exchange and the FT-Acquacut AS-Shares Index. The FT-RE 160, the FT-RE 160 and the FT-RE Actresses 300 indices are represented by the London Stock Exchange and the FT-Acquacut AS-Shares Index. The FT-RE 160, the FT-RE 160 and the FT-RE Actresses 300 indices are represented by the London Stock Exchange and the FT-Acquacut AS-Shares Index.

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**LONDON SHARE SERVICE**

[illegible][illegible][illegible][illegible]

## CROSSWORD

[illegible]

It mms sailors into central Greece (4)

I pay tax on his form showing cause of death (12)

Fabric firm upset debtor (4)

I'm backing silly CO I display stupidity (6)

Lump of messy grunge on

...find 50% discount too  
 Besides making a prof-  
 it... (5)  
 ...knives sailor after last  
 night on board (5)  
 ...knives sailor when mad this  
 bold Tory... (12)  
 ...knives sailor when mad this  
 bold Tory (5)

much (8)  
 Lively as a pair in the back  
 row! (6)  
 After Lawrence leaves she  
 moves again (6)  
 Driver in tank? (6)  
 Family doctor starts class

(3) Court order author Elizabeth to go (4)

Solution 8,254

SANDPIPER WIDOW  
A E O I O A R I  
L O C U S O B S E S S I O N

O	T	T	N	E	H	L	E
F	E	A	C	H	M	E	L
R	U	E	V	S			
S	H	I	M	M	E	R	A
A	M	O		D	R	E	D
C	H	E	C	U	E	R	
C	O	N	O	V	E	R	
C	O	N	O	V	E	R	

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OF THE OPEN FORUM  
TO ASSESS THE  
HEALTH OF THE  
ENDURANCE



## LONDON SHARE SERVICE

## AMERICANS

Company	Price	Change	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595</
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INVESTMENT TRUSTS - Cont.

Trust Name	Price	Change	1992	1993
South Africa	210	+1.5	208	211.5
Windsor	210	+1.5	208	211.5
Scottish	210	+1.5	208	211.5
Windsor	210	+1.5	208	211.5
Scottish	210	+1.5	208	211.5
Windsor	210	+1.5	208	211.5
Scottish	210	+1.5	208	211.5
Windsor	210	+1.5	208	211.5
Scottish	210	+1.5	208	211.5
Windsor	210	+1.5	208	211.5

MERCHANT BANKS

Bank Name	Price	Change	1992	1993
Barclays	110	+1.0	109	111
HSBC	110	+1.0	109	111
Midland	110	+1.0	109	111
Paragon	110	+1.0	109	111
Windsor	110	+1.0	109	111

OIL & GAS - Cont.

Company Name	Price	Change	1992	1993
BP	110	+1.0	109	111
Shell	110	+1.0	109	111
British Petroleum	110	+1.0	109	111
Windsor	110	+1.0	109	111

PACKAGING, PAPER & PRINTING - Cont.

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

STORES - Cont.

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

MINES - Cont.

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

INVESTMENT COMPANIES

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

METALS & METAL FORMING

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

MISCELLANEOUS

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

PROPERTY

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

TELEPHONE NETWORKS

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

TEXTILES

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

MEDIA

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

MOTORS

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

OTHER INDUSTRIALS

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

OTHER FINANCIAL

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

WATER

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

PLANTATIONS

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

PACKAGING, PAPER & PRINTING

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

OIL & GAS

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

STORES

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

MINES

Company Name	Price	Change	1992	1993
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111
Windsor	110	+1.0	109	111
Scottish	110	+1.0	109	111

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## AUTHORISED UNIT TRUSTS

**Guide to pricing of Authorised Unit Trusts**  
Compiled with the assistance of Laurto S&S

[illegible]

Company Name		1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1
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## OTHER UK UNIT TRUSTS



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## CANADA

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TOKYO - Most Active Stocks						
Tuesday, September 14, 1993						
Stocks	Traded	Closing Price	Change on day	Stocks	Traded	Closing Price
Nikkoren	8,126	267	+1	Meiji	2,170	1,680
Nippon Steel	5,121	269	+1	Mitsubishi Indus.	2,026	2,020
NSC Corp.	4,821	280	+10	Mitsubishi Kyoto Co.	2,026	2,020
Mitsubishi T. Ind.	3,821	1,470	+5	NOR Corp.	2,026	2,020
Mitsubishi Fin.	3,421	268	-17	Sanyo Electric	2,026	2,020

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1. *Journal of the American Medical Association*, 1997; 277: 1033-1038.



**4 pm close September 15**

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000
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**4 pm close September 16**

DE	100	163	74	41%	41%	-
DE	100	163	74	41%	41%	-
DE	0.44	62	47%	41%	41%	-
DE	141304	304	5	-	-	-
DE	141304	304	5	-	-	-
DE	0.28	21	14%	14%	14%	-
DE	0.28	211767	81	17%	17%	-
DE	366	448	13%	13%	13%	-
DE	100	163	74	41%	41%	-
DE	0.08	18	12%	64%	64%	-
DE	0.08	18	12%	64%	64%	-
DE	0.08	18	12%	64%	64%	-
DE	100	163	74	41%	41%	-
DE	1.00	13	8%	14%	14%	-
DE	172895	33	07%	12%	12%	-
DE	0.04	16	21%	21%	21%	-
DE	0.04	16	21%	21%	21%	-
DE	0.04	16	21%	21%	21%	-
DE	21824	81	64%	64%	64%	-
DE	0.08	18	33	62%	62%	-
DE	1.00	13	8%	14%	14%	-
DE	0.40	14	13%	13%	13%	-
DE	0.20	17	34%	21%	21%	-
DE	1.00	13	8%	14%	14%	-
DE	0.08	18	21%	28%	28%	-
DE	0.08	18	21%	28%	28%	-
DE	0.32	37	62%	62%	62%	-
DE	1.00	13	8%	14%	14%	-
DE	0	43	06%	30%	30%	-
DE	13	59	8%	8%	8%	-

[illegible]



AMERICA

# Fresh declines in bond prices weaken Dow

Wall Street

FRESH declines in bond prices sparked another round of selling on US stock markets yesterday, although an early afternoon rally helped blue chip prices to stage a brief rally, writes Patrick Harverson in New York.

At 1pm, the Dow Jones Industrial Average was down 8.94 at 3,607.66. The more broadly based Standard & Poor's 500 was 0.54 lower at 459.36, while the Amex composite was down 0.05 at 452.71, and the Nasdaq composite up 1.72 at 734.36. Trading volume on the NYSE was 161m shares by 1pm.

For the second straight day, worries about inflation, sparked by an unexpectedly strong August consumer price index figure - prompted heavy selling of Treasury bonds, which in turn prompted selling of stocks. On Tuesday, the 30-year bond fell by one and a half points and the Dow dropped 18.46.

Yesterday morning, the 30-year bond fell another point, and the Dow quickly dropped

20, sending the index below 3,600 for the second time in a month.

Analysts said that investors were selling stock and bonds not just because they are worried about inflation, but also because the inflation data gives them an excuse to take some of the profits earned in this summer's rally, and to let out some of the pressure in stock and bond markets that have been looking overbought in recent weeks.

Sentiment was not helped by declines on foreign markets, including Frankfurt, Paris and London. Stocks, however, did stage an early afternoon rally as bonds recovered some of their losses, allowing the Dow to bounce back above 3,600.

Walt Disney was the market's most active issue, falling 8 1/2 to 38 1/2 in volume of 3.8m shares after the Wall Street securities house Goldman Sachs cut its forecast for the entertainment group's 1993 fiscal year, warning that recent violent attacks on tourists visiting Florida could hurt attendance at Disneyworld.

Federal Express firmed 3 3/4 to 59 1/4 on news of stronger-

than-expected fiscal first quarter profits of 60 cents a share.

Leading technology stocks were strong, except for Digital Equipment, which ran into heavy selling and dropped 3 1/2 to 38 1/2 in volume of 1.5m shares. Going the other way was Motorola, up 3 1/2 to 83 1/2, Hewlett-Packard, up 3 1/2 to 89 1/2 and Compaq, 3 1/2 firmer at 56 1/2.

Schering-Plough climbed 3 1/2 to 82 1/2 after investment bank SG Warburg raised its rating on the stock from "add" to "buy", noting that the company is in a better position relative to its competitors in terms of currency exposure and its reliance upon drugs for the elderly.

On the Nasdaq market, technology stocks were mostly firmer, with Intel up \$1 at 54 1/4 and Microsoft \$1 higher at 57 1/4.

Canada

TORONTO remained lower at midday as general weakness in the market outpaced gains the gold sector. The TSE-300 index was 14.04 easier at 3,558.08 in turnover of C\$304.5m.

By John Pitt

The resignation of the Greek government last week and the subsequent decision to call an election for October 10 led to an immediate flight out of equities in Athens.

The selling has since stabilised, but last Thursday's sharp decline saw the market record the largest fall on the week, in dollar terms, among the indices included in the IFC's table.

In spite of the decline, Carnegie International's Greek analysts remain reasonably confident about the future direction of equities.

"The present consensus is that the index might move down as low as 750 [it is currently moving in the 760 area] before consistent buying interest returns," they comment. "The banking sector, however, is likely to remain weak as questions are now being raised over whether the Commercial Bank's outstanding rights issue will be fully taken up, while Credit Bank's capital increase is once again hanging in the balance."

The downturn in Greece

was the only negative factor in an otherwise strong European region, with Turkey once more impressing investors with the week's best gain.

Trading activity in Istanbul has been fuelled by a regulation approved last month making mutual funds tradeable on the stock market. Schroder Securities currently forecasts a continuation of the rally, with occasional dips for profit-taking, and sees the index advancing to the 14,000 to 15,000 region by the year-end, from the present 13,000 level.

Latin America's emerging markets were relatively subdued last week, with only Brazil and, to a lesser extent, Argentina standing out.

Meanwhile, Mexico has been steadily losing ground over worries surrounding the successful passage through the US congress of the North American Free Trade Agreement. While President Bill Clinton has expressed his full support for the agreement, and many observers expect it to come into force, as planned, by January, certain doubts remain in some investors' minds.

Although Peru is not included among the IFC data, the equity market there has,

## EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Sept 10 1993	% Change over week	% Change on Dec '92	Local currency terms Sept 10 1993	% Change over week	% Change on Dec '92
Latin America	(11)	728.99	+2.0	+25.7	447,328.97	+2.0	+25.7
Argentina	(44)	233.43	+5.0	+86.7	33,201,768.36	+5.0	+86.7
Brazil	(20)	435.13	+0.1	+4.0	709.27	-0.3	+1.0
Chile	(8)	484.12	+0.9	+13.9	693.95	+1.2	+13.5
Colombia	(6)	731.55	-0.5	-8.2	981.36	-0.6	+1.1
Venezuela	(8)	475.91	-2.1	-8.4	1,033.43	-1.5	+1.2
East Asia	(130)	95.46	+2.3	-2.8	101.29	+2.3	-2.8
South Korea	(11)	188.76	+3.2	+42.1	253.48	+3.2	+42.1
Philippines	(78)	80.84	+1.3	+8.6	80.94	+1.2	+8.4
Taiwan, China	(61)	91.35	+1.3	-2.5	101.02	+1.2	+5.1
India	(31)	97.38	+3.8	+65.9	111.21	+3.8	+65.9
Indonesia	(61)	235.24	-2.4	+43.8	220.61	-2.6	+39.9
Malaysia	(8)	219.44	+0.4	+9.6	228.48	+0.4	+9.7
Pakistan	(52)	277.05	+0.6	+20.3	275.77	+0.7	+18.7
Thailand	(17)	228.20	-8.1	+15.8	352.42	-7.9	+18.3
South-East Asia	(9)	159.53	+2.6	+36.5	226.42	+2.1	+36.5
Greece	(16)	114.53	+3.9	+48.5	128.50	+1.4	+44.9
Turkey	(31)	154.82	+12.0	+151.5	645.13	+11.4	+215.6

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1989=100 except where noted. When not noted, indices are: (1) Jan 1 1991; (2) Jan 5 1992; (3) Jan 3 1992; (4) Jan 4 1991; (5) Jan 6 1992; (6) Jan 2 1992; (7) Jan 1 1991; (8) Jan 4 1992.

EUROPE

# Weak \$ unsettles trading in Continental centres

THE US dollar exerted its influence on bourses, while sporadic profit-taking also contributed to weaker prices yesterday, writes Our Markets Staff.

PARIS retreated late in the day, with the CAC-40 index ending 55.83, or 2.6 per cent, down at 2,078.51 in turnover of some FF4.9bn.

Mr Ian Furnival, an analyst at the Paris office of Hoare Govett, commented that while yesterday's decline was partly the result of profit-taking, there was a general feeling that the French government was being unduly intransigent in not easing monetary policy following the Bundesbank's recent move. Another factor affecting sentiment, he said, was the recent bad set of interim results, further emphasised by disappointing figures from Chargeurs after the close of trading. He said that he would not be surprised if the index fell below the 2,000 level in the next couple of weeks.

Among the day's declines Chargeurs lost FF23 to FF115.15 ahead of its results, while Alcatel shed FF16 to FF173.23, BSN FF28 to FF183 and Elf Aquitaine FF15.40 to FF185.90.

FRANKFURT saw nervous trading as the weaker dollar again affected overall sentiment. The DAX index closed down 20.18 or 1 per cent at 1,860.39. Turnover was DM5.4bn.

Some market observers noted that US institutional funds may have been moving out of German stocks, but the underlying trend remained firm if cautious.

Mr Michael Geiger of NatWest Securities in London commented that the market remained in a consolidation phase and he saw no reason to change any recommendations at present.

Volkswagen was again in the news after reports earlier this

## FT-SE Actuaries Share Indices

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Actuaries 100	1280.08	1278.55	1276.90	1274.45	1282.62	1287.25	1285.06	1293.47
FT-SE Actuaries 200	154.96	153.99	153.99	154.74	153.48	154.28	153.79	153.75
FT-SE Actuaries 100	1279.54	1276.84	1283.72	1285.95	1286.53			
FT-SE Actuaries 200	1357.12	1351.64	1355.64	1362.52	1363.85			

See also: 1200 (201000) Monday 100 - 1278.55; 200 - 154.96; Tuesday 100 - 1280.08; 200 - 154.96.

week of expected losses at its Spanish subsidiary. The shares lost DM11 or 3 per cent to DM35.50.

Daimler fell DM12.70 or 1.8 per cent to DM708.80 ahead of tomorrow's results.

Mr Geiger maintains a positive stance on construction stocks, particularly Hochtief and Bilfinger and Berger which stand to gain if either Berlin or Sydney are successful in winning the bid for the Olympic Games in 2000 - a decision is due next week - since both groups also have a strong exposure in Australia. Hochtief yesterday shed DM14 to DM110.1 and Bilfinger DM1 to DM91.0.

AMSTERDAM was another market to be affected by currency woes and the CBS Tendency index closed down 2.8 or 2 per cent at 122.4, with most of the losses occurring late in the session.

Analysts at Amsterdam brokers Pierson were not worried by the day's fall and maintained that the market was showing a healthy correction from recent high levels.

MILAN saw technical selling during the last hour wipe out some of the earlier gains, leaving the Comit index 4.90 ahead at 611.04. The last day of the monthly account had begun in positive mood with firm demand for insurers and renewed US interest in the telecom sector.

However, Generali, which led the early gains following Tuesday's disclosure that first half premium income was

up 14 per cent on the year slipped back to close L429 higher at L40.837, after a day's high of L41.230.

Fiat fell L109 to L5.322, as rumours that the group might be planning a rights issue refused to go away.

Sip, the domestic telephone operator gained L55 to L3,594 while Stet, the holding company, finished L6 lower to L4,415.

Ferruzzi ended limit down for the fourth successive day. The share shed L87 or 10 per cent to L328.

ZURICH was hit as the dollar fell to a year's low against the Swiss franc and the SMI index shed 26.5 or 1.1 per cent to 2,361.8.

The mood was also dampened by tomorrow's options and futures expiry which was also expected to restrain activity today. Among exporters under pressure, Nestlé registered shares fell SF21 to SF11.04.

MADRID was pushed lower by profit-taking as investors were unnerved by falls in other European stock and bond futures markets and news that disagreements were surfacing between trades union officials and the government in a new round of social pact talks.

The general index shed 5.36 or 1.9 per cent to 283.30 in heavy turnover of Ptas21.5bn.

STOCKHOLM shed 1.7 per cent in response to sharply higher debt market yields. The Affarsvärden index fell 21.8 to 1,265.7.

ASIA PACIFIC

# Selling wave leaves Taiwan at 7-month low

MANY of the Pacific Rim markets continued to display weakness in the absence of Tokyo, which was closed for a public holiday.

TAIWAN closed at a seven-month low on a wave of late selling after the weighted index broke below a support level of 3,800 points.

The index fell 44.4, or 1.2 per cent, to 3,782.10, its lowest finish since the 3,775.19 recorded on February 12. Turnover, at T\$9.81bn, remained very thin but exceeded the T\$9.34bn registered on Tuesday.

Sharp falls were seen in finance and electronic shares, sectors which had declined relatively slowly during the market's correction in the past few months.

AUSTRALIA continued its downward correction, dragged lower by a weaker Wall Street,

hedge futures trading and a heavy fall in News Corp. However, a firmer golds sector, after bullion prices improved overnight, helped to cushion falls in key stocks.

The All Ordinaries index finished 9.3 down at 1,903.6 in light turnover of A\$422m.

A 42-cent drop in the recently strong News Corp to A\$10.16 helped to drag the All Industrials index 18.3 lower to 3,002.4, while the All Resources index shed 2.2 to 1,061.3.

Elsewhere in the media sector, Telecasters North Queensland jumped 20 cents to A\$2.10 on the back of the Ten Group's rise in annual net profits, announced on Tuesday, and its own pre-tax return to the black. TVQ is part of a consortium which owns Ten Group.

The gold shares market recovered 40.5 to 1,743.8 after

suffering a setback of about 180 points over the previous two days.

Plutonic advanced 20 cents to A\$5.20, while Placer Pacific and Homestake each gained 10 cents to A\$2.60 and A\$1.48 respectively.

NEW ZEALAND declined for the fourth consecutive day, led down by forestry issues, but brokers were unable to pinpoint specific reasons for the fall. The NZSE-50 index lost 14.17 to 1,948.05, making a 50-point drop since last Wednesday's close.

MANILA finished mixed, but some analysts believed it still looked set for another climb, after Tuesday's profit-taking. The Manila index eased 2.24 to 1,592.16.

Manila Electric "B" shares rose 5 pesos to 277.50 pesos and ABS-CBN, the broadcaster, put

on 1 peso at 62.50 pesos. PLDT slipped 30 pesos to 1,360 pesos following an overnight fall on Wall Street.

SEOUL suffered a day of lethargic and cautious trading, which left the composite index 3.93 lower at 691.44.

Rumours that smaller companies might default on debt obligations also sparked a sell-off in low-priced shares.

HONG KONG was firmer, although shares lost most of their morning gains on profit-taking spurred by political and regulatory concerns. The Hang Seng index finished 14.92 higher at 7,468.77. It was up 67.17 points earlier.

The market was unsettled by worries that attitudes were hardening in the Sino-British talks in Beijing and by reports that the Commercial Crime Bureau had raided a number of

companies as part of an investigation of the Allied Group. Allied Group ended 9 cents down at HK\$1.02, Allied Properties lost 15 cents to HK\$1.40 and Allied Industries shed 10 cents to 81 cents.

Utilities led a blue-chip surge in the morning before falling back. China Light closed 25 cents up at HK\$42 and HK Telecom gained 10 cents at HK\$12.40. HSBC rose 50 cents to HK\$82 and Jardine Matheson also 50 cents to HK\$14.92.

SINGAPORE was sent lower by profit-taking in highly speculative Malaysian shares which have risen sharply recently. The Straits Times Industrial index retreated 11.14 to 2,001.35.

BOMBAY relinquished its early gains on profit-taking and the BSE 30-share index finished 7.15 lower at 2,800.48.

# Gold shares gain in S Africa

FUTURES-related buying gave shares a late upward move amid improved sentiment as the bullion price neared \$350 an ounce. Reuter reports from Johannesburg. The golds index finished 62 higher at 1,590, while the industrials index rose 22 to 4,554. The overall index added 28 at 3,858.

De Beers went against the trend after declines in US trading, losing R2 at R81.50. Anglos put on R3 at R132.50 and R105.00 rose 35 cents to R42.75. Barlows Rand firmed 25 cents to R41.75 and Remgro climbed 50 cents to R26.

Lomro fell back after recent gains, losing 15 cents to R8.80. Oil issues saw mixed performances, with Engen losing 50 cents to R36.50 and Sasol rising 25 cents to R20.

Iscor was the most actively traded share, adding a cent at R1.35 in turnover of R5.7m.

Among golds, Vaal Reefs advanced R9 to R298, Kloof gained R1.75 at R42.25 and Loraine rose 20 cents to R9.70.

This announcement appears as a matter of record only



The Heil Co. has been acquired by Dover Corporation through its wholly-owned subsidiary Dover Industries, Inc.

The undersigned initiated this transaction and acted as exclusive financial adviser to The Heil Co.

Barclays de Zoete Wedd Incorporated

July 1993

This announcement appears as a matter of record only

## RENEER FILMS CORPORATION

The Goodyear Tire & Rubber Company has sold its Reneer Films Corporation subsidiary to GenCorp Inc.

The undersigned initiated this transaction and acted as exclusive financial adviser to The Goodyear Tire & Rubber Company.

Barclays de Zoete Wedd Incorporated

July 1993



## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY SEPTEMBER 14 1993	MONDAY SEPTEMBER 13 1993	DOLLAR INDEX
Figures in parentheses show number of lines of stock	US Dollar Index	US Dollar Index	US Dollar Index
Australia (89)	139.32	-1.8	135.67
Austria (17)	175.50	-0.5	188.25
Belgium (42)	151.38	-1.1	145.12
Canada (107)	125.20	-0.1	118.39
Denmark (35)	230.54	+0.0	221.01
Finland (23)	109.24	-1.0	104.72
France (87)	171.89	+0.9	164.59
Germany (69)	127.30	+0.7	122.04
Hong Kong (69)	137.98	-0.2	132.28
Ireland (14)	172.12	-0.3	165.01
Italy (70)	79.41	+1.8	75.17
Japan (470)	167.83	-0.5	151.11
Malaysia (69)	401.12	-0.3	384.54
Mexico (19)	1721.07	-1.4	1649.84
Netherlands (24)	185.54	+0.4	177.89
New Zealand (13)	50.82	-0.3	50.30
Norway (22)	177.44	-0.2	170.10
Singapore (80)	287.90	-0.2	278.01
South Africa (60)	177.06	+0.1	169.78
Spain (43)	140.34	-0.9	134.54
Sweden (38)	189.98	-0.3	182.13
Switzerland (50)	137.98	+1.7	132.28
United Kingdom (218)	190.73	-0.3	182.85
USA (520)	187.94	-0.5	180.18
Europe (748)	159.39	+0.6	152.80
Nordic (113)	179.97	-0.5	172.39
Pacific Basin (714)	164.20	-0.1	154.92
Euro-Pacific (1482)	160.58	-0.1	153.94
North America (827)	183.94	-0.4	176.34
Europe Ex. UK (530)	138.50	+0.7	133.74
Pacific Ex. Japan (244)	201.84	-0.7	192.73
World Ex. US (1649)	160.44	-0.1	153.81
World Ex. UK (1950)	166.46	-0.3	159.58
World Ex. So. Am. (2108)	198.67	-0.2	191.70
World Ex. Japan (1289)	176.44	-0.1	169.15
The World Index (2168)	168.59	-0.2	161.63

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Latest prices were unavailable for this edition.